Austria	Sch. 20	Indonesia	Rp 3100	Philippines	Pes. 20
Bahrain	Din.0.850	Israel	NS 3.50	Portugal	Esc 100
Belgium	BFr.45	Italy	L 1800	S. Arabia	Rls 6.00
Canada	C$1.00	Japan	Y600	Singapore	S$ 4.10
Cyprus	C£0.75	Jordan	Fils 600	Spain	Pta 125
Denmark	DKr 9.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Egypt	E£1.50	Lebanon	£L 50.00	Sweden	SKr 8.00
Finland	Fmk 7.00	Luxembourg	LFr.45	Switzerland	SFr 2.20
France	FFr. 6.50	Malaysia	Rin 4.25	Taiwan	NT $65
Germany	DM 2.20	Mexico	Pes. 300	Tunisia	Din 0.800
Greece	Dr 80	Morocco	Dh 6.00	Turkey	L 350
Hong Kong	HK$ 12	Netherlands	Fl 3.00	U.A.E.	Dh 6.50
India	Rup. 15	Norway	Nkr. 7.00	U.S.A.	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,177 — Friday March 6 1987 — D 8523 B

Japanese shipbuilding: times get tougher at the top, Page 28

World news

Nato allies look at missile proposals

The Nato allies considered Soviet and US proposals to eliminate medium-range missiles from Europe, while Moscow expressed cautious optimism over prospects for an early superpower agreement.

In Paris, the French Government *is sharply split over how France* should react to the latest Soviet proposals. Page 2

In Washington, Defence Secretary Caspar Weinberger said the US could deploy a layered, space-based defence against nuclear missiles as early as 1993. It appeared to be his most optimistic forecast yet on prospects for President Reagan's Star Wars Strategic Defence Initiative.

Afghan air raids

Pakistan complained to the UN that aircraft from Afghanistan attacked Pakistani villages last Thursday *and Friday, killing* 90 people and wounding 230 others.

Arms cache find

French police uncovered a cache of arms and explosives in a Paris cellar and arrested seven Middle East nationals in connection with the find.

Trip cancelled

President Kenneth Kaunda of Zambia cancelled a trip to independence anniversary celebrations in Ghana, saying South Africa planned to attack his country while he was away, a presidential spokesman said.

Punjab violence

Suspected extremists killed five people in continuing violence in India's volatile northern state of Punjab where separatists have been fighting for an independent Sikh homeland.

Police chief quits

Stockholm police chief Hans Holmer, who led an unsuccessful year-long hunt for the killer of Swedish Prime Minister Olof Palme, resigned.

Race unrest 'wanes'

South African racial unrest is now "quite clearly on the wane" after 2,387 people have died in the past two and a half years, the South African Institute of Race Relations said.

Libyan attack

Chad said a column of Libyan troops and mercenaries had entered Sudan in order to attack government forces in eastern Chad.

Cuba accused

Vernon Walters, US ambassador to the UN, accused Cuba of "systematic and flagrant" human rights violations and urged international pressure on Fidel Castro to help free 14,000 political prisoners.

Raid reprisals

Kurdish rebels burned 40 tractors at a state farm near the south-east town of Ceylanpinar, in reprisal for Turkish air raids against rebel hideouts inside Iraq, the semi-official Anatolian Agency reported.

Homicide charges

Seven managers and employees at South Africa's Kinross gold mine will face charges of culpable homicide arising from last year's disaster when 177 miners died, the Attorney-General's office said.

Rehabilitation call

Andrei Voznesensky, a leading Russian poet, called for the rehabilitation of all purged Soviet writers.

Textbooks banned

A US judge banned 40 textbooks from Alabama public schools, ruling they illegally promoted what he called "the religion of secular humanism" and ignored traditional religious beliefs.

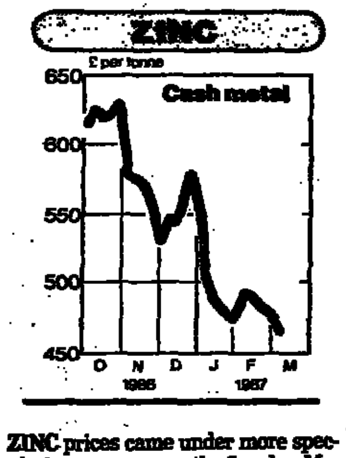
Business summary

Wall St climbs over 2,276

SHARES on Wall Street in London and in Tokyo reached new peaks yesterday. In New York, rises in mainly blue-chip stocks helped the market consolidate the gains made on Wednesday, with the Dow Jones industrial average closing up 18.98 to 2276.43. In Tokyo, selective buying took the Nikkei average to 21,176.03, up 144.37 on the day, and in London, the broad-based FT-SE 100 index edged up 0.1 to a record 2002.8. But the FT ordinary index fell 10.4 to 1602.0. Page 50

USAir, 10th largest US domestic airline, rejected a $1.4bn cash takeover bid by Carl Icahn's TWA. USAir called the bid grossly inadequate and not in the best interests of its shareholders, employees or passengers. Page 25

ZINC



ZINC prices came under more speculative pressure on the London Metal Exchange as sterling firmed against the dollar. The cash price closed £10.50 down at £463.0 a tonne, an eight-month low. Page 42

DOLLAR fell in London to DM 1.8315 (DM 1.8375); to Y153.20 (Y153.70); to FFr 6.0950 (FFr 6.1125); and to SFr 1.5440 (SFr 1.5480). On Bank of England figures the dollar's exchange rate index rose to 104.1 (103.9). Page 43

STERLING rose in London to $1.5775 ($1.5650); to DM 2.89 (DM 2.8750); to Y241.75 (Y240.50); to SFr 2.4350 (SFr 2.4225); and to FFr 9.6150 (FFr 9.5650). The pound's exchange rate index rose to 71.4 (70.9). Page 43

GOLD rose $4.25 to $410.75 on the London bullion market. It also rose in Zurich to $410.25 ($404.55). Page 42

MOËT-HENNESSY, leading French champagne and cognac group, reported an 18 per cent rise in earnings to FFr 820 ($134m) against the previous year's FFr 696m. Page 25

BAKER International's bid for Hughes Tool, which would create one of the leading three oil services companies in the world, is in danger of failure amid growing confusion and recriminations. Page 25

SWEDISH MATCH, diversified industrial group which is the world's leading producer of matches, boosted profits after financial items by 39 per cent to SKr 500m ($77.4m) in 1986, against SKr 359 in 1985. Page 25

ALLIS-CHALMERS, Milwaukee industrial group struggling to avoid the bankruptcy courts, is proposing to sell all but one of its businesses, restructure its debt sharply and reduce employee health benefits. Page 25

BENETTON and GFT, Italy's two largest clothing makers, announced the formation of a joint financial and industrial services venture. Page 25

OIL: Latest assessment of stocks by the International Energy Authority indicates that Opec's price structure will come under renewed pressure in the second quarter. Page 42

BANCO SANTANDER, one of Spain's most forceful commercial banks, unveiled a provisional agreement to take over two of Bank of America's interests in West Germany. Page 25

FRENCH Stock Exchange plans to open a traded shares options market in June, dealing initially in six shares. Page 28

Reagan admission sets scene for political fight back

BY LIONEL BARBER IN WASHINGTON

PRESIDENT REAGAN'S keynote speech to the nation on the Iran arms scandal yesterday evoked a generally positive response. The reaction ranged from relief among supporters, grudging admiration among opponents and a consensus that its contrite tone would halt the erosion in his support among the American people.

Leading Republicans and Democrats said that Tuesday night's address, in which Mr Reagan admitted that his Iran policy had deteriorated into bartering US arms for American hostages, had enabled the President, 76, to turn the corner towards a partial political recovery.

Mr Reagan's typically word-perfect delivery of a speech devoid of rhetorical flourishes was an integral part of a campaign by Mr Howard Baker, the new White House Chief of Staff, to restore the image of a leader back in charge of his Administration.

However, this campaign was badly jolted yesterday when two key Administration figures – Mr George Shultz, US Secretary of State, and Mr Caspar Weinberger, Defence Secretary – again tried to distance themselves from criticism in last week's Tower Commission report on the scandal.

Mr Weinberger said charges that he and Mr Shultz had sat by passively and let down Mr Reagan were "unjustified, and unwarranted and not supported by any evidence." Mr Shultz said he, too, disagreed with the report's conclusions about his role.

In his reply to the Tower Commission report, Mr Reagan said he was considering "other changes in personnel," a hint that more resignations could be expected in the coming weeks.

Mr Elliot Abrams, Assistant Secretary at the State Department and the Administration's most outspoken advocate on aid for the Nicaraguan Contra rebels, is reported to be under threat, although yesterday's outburst by Mr Shultz and Mr Weinberger will not have improved their chances of staying on for Mr Reagan's last two years in the White House.

In the US press – whose ferocious reporting has done much to keep the Iran arms scandal in the public eye – there was praise yesterday for Mr Reagan's candour. "He gave the right speech," said the Washington Post. "He admitted plenty, and he pledged to redeem the damage in the next two years."

But several commentators predicted that the criminal inquiry by the special prosecutor, investigations on Capitol Hill and in the media would turn up new, possibly damaging information about the President.

There was a near-unanimous view that Mr Reagan, although still a popular leader, would never again scale the heights of his post-election landslide victory of 1984 when his public opinion poll approval rating went over 70 per cent. This week, a poll showed it at 42 per cent, a four-year low.

In the run-up to the speech, even Mr Reagan's closest supporters had expressed fears that his pride would not allow him to concede that he personally had made a mistake and bore the responsibility. In the end, he did just that.

Mr John Tower, the former conservative Senator from Texas who co-wrote last week's devasting indictment of Mr Reagan's management style and conduct of foreign policy, said: "A man is never more credible than when he admits a mistake, and this the President has manfully done."

Senator Robert Dole, Republican minority leader in the Senate and a near certain candidate for the 1988 presidential race, said: "Reagan told the American people what they wanted to hear: that mistakes were made and that he made them."

Continued on Page 24

Editorial comment, Page 22

NYSE to restrict members' trading in London

By Clive Wolman in London

THE New York Stock Exchange is to bar its member firms from trading on the London Stock Exchange in jointly listed securities during the hours that New York is open.

Several of the large US securities houses say the move will stifle international competition in securities trading. The London Stock Exchange recently announced ambitious plans to expand its trading of foreign securities.

The New York Stock Exchange argues that, when the London Stock Exchange closes its trading floor, probably early next year, it will no longer be a recognised exchange under NYSE rules. The decision to close the London trading floor and rely exclusively on dealing via the telephone and video screens was announced on Monday.

Under NYSE rules, a foreign securities exchange can be recognised only if it has a trading floor. The rule was introduced because it was feared that telephone trading could lead to abuses, although the recent advances in electronic information systems have reduced such risks.

"The rule is one of our cornerstones to guarantee the best prices for investors," a NYSE spokesman said last night. "While London is an exchange with a trading floor it has a trading environment which gives that protection. We do not allow anyone to make a market off the floor in New York. Why should we in London?"

Most of the large US securities houses have built up a presence in London, partiularly in the past three years. Several have become market-makers in UK equities, or government securities. These include Salomon Brothers, Goldman Sachs, Merrill Lynch, and Shearson Lehman.

Several US commercial banks have also acquired London Stock Exchange members but they will not be affected by the ban because they are not members of the NYSE.

The restriction will apply only to trading in the afternoon, London time, but it will prevent New York firms from becoming market-makers in jointly listed stocks in London at any time.

Many securities houses believe the main purpose of the rule is to restrict the competitive threat from other more electronically advanced exchanges.

Market monitors, Page 50

Bonn urged to loosen grip on telecoms

BY PETER BRUCE IN BONN

THE WEST GERMAN Government is being pressed to open a wide range of advanced telecommunications services to private operators at competitive prices.

A high-ranking government commission, set up two years ago to investigate ways of deregulating the Bundespost's telecommunications monopoly, recently agreed provisional recommendations that one critic of the monopoly yesterday called "revolutionary for Germany if they go through."

The commission's full report is due to be presented to the Government this summer.

The Bundespost is Western Europe's biggest employer.

Its monopoly over the potentially rich West German market for modern telecommunications equipment and services has angered the country's big trading partners who claim their companies are not allowed to compete fairly.

The Government has given broad assurances that the commission's final recommendations will be acted upon. The most important provisional proposal is that the Bundespost telecommunications operation should be separated from the Posts and Telecommunications Ministry.

Then, says the commission, the operating parts should be split into a monopoly transmission and switching business "Telenetz," and one, "Teledienst," which would have to compete with private industry to provide valued added network (VAN) services and other competitive services. "Telenetz" and "Teledienst," says the provisional agreement, should be run commercially.

The Commission appears to have come very close to recommending the establishment of private telecommunications networks in direct competition with the Bundespost.

Mr Helmut Kohl: facing row

The chairman refused to cast a deciding vote when the commission tied 6:6 on a motion to allow private networks.

Instead, the commission has agreed to recommend a Government review every three years. If "Telenetz" fails to lease lines to private industry at internationally competitive rates, the commission says, the Government should open the way to private networks.

Private companies would be able to offer all telecommunications services except the so-called "first telephone." The agreement also says that the heavy funding of the postal system by the more profitable telecommunications operations should be scaled down.

If the provisional recommendations are in the commission's final report, a row between the coalition partners in Chancellor Helmut Kohl's Government is bound to follow.

Continued on Page 24

Israel admits error in US espionage case

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL said yesterday it would not repeat the mistake of spying on its principal ally, the US, following the conviction in Washington of an American former navy intelligence analyst.

In a remarkably frank admission, President Chaim Herzog expressed contrition and said he hoped lessons would be learned and steps taken to ensure there would be no repetition.

Mr Jonathan Pollard, 32, a former US Navy intelligence analyst who admitted passing thousands of top-secret US military documents on Soviet and Arab military capabilities to Israel, was sentenced to life imprisonment in Washington on Wednesday. His wife was sentenced to five years in prison for collaborating with him.

The Pollard case has been described as one of the worst security breaches in post-war American history and has strained relations with Israel, the largest recipient of US foreign aid.

Israeli officials, however, stonewalled over what, in practice, the Government is prepared to do. There was no indication of any willingness to punish those Israelis named in a Washington court for recruiting and handling the US intelligence analyst.

Mr Abba Eban, the former Israeli Foreign Minister, yesterday described the Pollard affair as "the most difficult moment in the history of Israel's international relations."

In a scathing broadside against the coalition Government, now headed by Mr Yitzhak Shamir, the Israeli elder statesman said the mistake was "home made, the first of an Israeli initiative."

In a radio interview, Mr Eban said the country's essential interests – the special relationship with the US – had been harmed. But the more widely shared feeling among officials yesterday was more sanguine: that, once the dust had settled, there would be little lasting damage.

Israel has steadfastly maintained that the espionage ring run out of the Prime Minister's office was an unauthorised, rogue operation. But Mr Shimon Peres, who was Prime Minister at the time of Mr Pollard's arrest in November 1985, yesterday tacitly acknowledged collective official responsibility for the affair for the first time.

Germans in new bid to salvage submarine deal

BY OUR BONN CORRESPONDENT

A SENIOR West German politician is flying to Australia today in a desperate effort to salvage German hopes of winning a DM 2.8bn ($1.5bn) Australian submarine contract. This follows the recent exposure of the German bidder's role in supplying submarine blueprints to South Africa.

Mr Manfred Biermann, Economics Minister of the state of Schleswig Holstein, was said yesterday to be making a "flag flying" visit to Australia, where a decision on whether to buy a German or Swedish submarine system is due in the next four months.

Schleswig Holstein is home to the Howaldtswerke-Deutsche Werft (HDW), a state-owned shipyard that, along with a marine design group, made 12 deliveries of submarine blueprints to the South African Embassy in Bonn in 1984 and 1985. That deal was worth about DM 46m.

The transactions were illegal and broke the UN embargo on the sale of arms to Pretoria. At the same

Continued on Page 24

Bank of England continues to resist interest rate cuts

BY JANET BUSH IN LONDON

THE Bank of England again moved decisively yesterday against mounting pressure in UK financial markets for a cut in base lending rates.

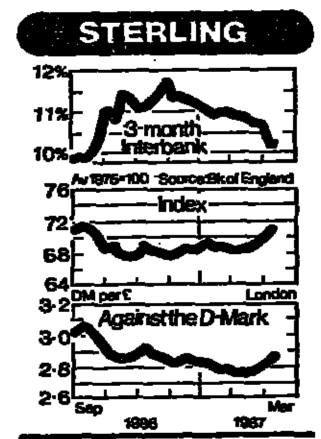
As sterling continued to surge on foreign exchanges and UK Government bonds rode high on overseas buying, the Bank again lent money to the domestic money market at a penal rate to underline its desire to hold the line on interest rates for the time being.

Yesterday's operations in the money market were seen as the most aggressive stand against lower interest rates yet. The Bank of England has lent funds to the market at interest rates well above 11 per cent, the current level of base rates, on four occasions since February 19.

But yesterday's rate of 11¾ per cent was the highest so far and dealt an expensive blow to discount houses pushing for a quick fall in base rates.

Much of the current reluctance to allow base rates to fall is a result of the Government's desire to delay a cut until around the Budget on March 17 and maximise the favourable response expected to greet the Chancellor's package.

STERLING



Mr Tony Blair, the opposition Labour Party's Treasury spokesman yesterday said the Government's activities in trying to stop interest rates falling until the Budget was a "continuing scandal." He accused the Government of taking a political gamble with public money.

He calculated that, in a month, a 1 percentage point reduction in base lending rates would save homeowners £90m ($140m) and industry £37m.

Some of sterling's rise has been on genuine optimism about prospects for the UK economy. However, the pound has also been helped by caution about trading other major currencies actively for fear of central bank intervention in the wake of the Paris agreement on stabilising currencies. Since the accord, sterling has risen by more than 3 per cent against a basket of currencies.

The Bank of England is likely to adopt a cautious approach towards lowering interest rates, as so often before, until it is sure that sterling's

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RACE TO CLEAN UP EUROPE'S ACT ON POLLUTION

The Chernobyl and Rhine accidents have given European Year of the Environment new urgency, our survey on pollution control reports, Page 29

EUROPEAN NEWS

CHIRAC BACKS MITTERRAND AGAINST DEFENCE MINISTER

Soviet arms proposal splits French cabinet

BY DAVID HOUSEGO IN PARIS

A SHARP split has emerged within Mr Jacques Chirac's coalition government over how France should react to the latest Soviet proposals on eliminating intermediate range nuclear weapons in Europe.

The dispute reflects long-standing French fears about the balance of forces in Europe, "de-coupling" by the US and a drift by West Germany towards warmer ties with the East bloc.

The difference surfaced at Wednesday's cabinet meeting where the Government openly broke ranks in front of President Francois Mitterrand, with Mr Andre Giraud, the Defence Minister, taking a sharply different view from the Prime Minister. Mr Chirac, anxious to prevent relations with the President being further damaged by a quarrell over foreign affairs and defence, rallied to Mr Mitterrand, thus implicitly disowning his Defence Minister.

An unusually detailed account of what is normally a closed door meeting of ministers appeared in Le Monde last night as a result of a leak which is itself indicative of the strains within the Government between the Prime *Minister and the* presidency.

Mr Giraud, briefing the cabinet on the Soviet proposals, described them as a "bluff" which would leave the Soviet Union with a superiority in Europe in both short-range nuclear weapons in Europe and in conventional forces. took the breath away from his listeners, he said that to accept the Soviet proposals would

In a phrase that obviously represent a sort of "Munich."

President Mitterrand, who was irked that he had not been consulted about the Foreign Ministry's initial statement of apprehension about the Soviet proposals, and who has in the past supported the removal of intermediate weapons, said that *Moscow's offer was in conformity* "with the interests of France and of peace."

Mr Mitterrand added that any withdrawal must be "balanced, simultaneous and controlled." He also said that it would be necessary to conclude an agreement on short range nuclear weapons as well.

Mr Mitterrand's belief is that France should not allow divergences to emerge with its allies —and particularly with West Germany—over the issue which could be exploited by the Russians. He also argues that the Alliance has already conceded the possibility of a joint withdrawal.

The President's statement modified the official French reaction as expressed by the *Ministry of Foreign Affairs* which expressed concern at the imbalance of forces that would be created.

According to Le Monde's account, Mr Chirac muttered while Mr Mitterrand was speaking: "He is right, he is right." At the end he said: "There is complete convergence on this issue."

Mr Giraud afterwards repeated his views at a full gathering of the parliamentary members of the UDF — Mr Chirac's coalition partners—of which he is a member and where he received considerable support. The followers of Mr Raymond Barre, the former Prime Minister in particular regret the Government's attitude and feel that the possibility of a US-Soviet agreement is a striking justification of Gen de Gaulle's policy of nuclear independence.

Mr Jean-Claude Gauding, the head of the UDF parliamentary group, went so far as to take up Mr Giraud's phrase of a "European Munich" and make it his own in a briefing he afterwards

Sweden acts on arms sale allegation

THE SWEDISH Government said yesterday that it would appoint a special investigator to probe the sale of arms to Iran after allegations that Iranian troops were using Swedish anti-aircraft missiles in the Gulf War, Reuter reports from Stockholm.

The announcement followed opposition demands for an independent inquiry into whether the ruling Social Democratic Party condoned the arms exports to Iran in violation of Swedish law.

The Liberal Party said the inquiry should work closely with a parliamentary investigation into the unsolved murder of Mr Olof Palme, the Prime Minister, shot a year ago.

Mr Sten Andersson, Foreign Minister, told reporters the government was willing to appoint a special investigator to help parliament examine the allegations but said he was sure no cabinet member was involved in the illegal exports.

There are already four parallel investigations by the Government, police, parliament and the military into the Iran arms smuggling affair.

A spokesman for the opposition Conservative Party said it was unsatisfactory that the Government was unable to say whether Iran was using Robot 70 anti-aircraft missiles *made by the Swedish arms* company Bofors.

Commission seeks end to Britain's zero VAT rate

BY QUENTIN PEEL IN BRUSSELS

PROPOSALS BY the European Commission to change the system of collecting value added tax (VAT) contributions from EEC member states are intended to maintain the pressure on Britain and Ireland to phase out their zero rates on sensitive *items like food* and children's clothes.

The Commission is proposing to switch from the present system of levying a 1.4 per cent charge on retail sales of a common basket of goods and services—a notional rather than actual VAT—to a direct 1 per cent VAT on the actual tax base in each member state.

The only important exception would be a special charge in the UK and Ireland to make up for the fact that important areas of retail spending are still zero-rated.

An alternative proposal, simply to ignore the zero-rating, was rejected for fear it would encourage London and Dublin to keep their exceptions, Commission officials say.

The main aim of the change in VAT charges from the theoretical to the actual base is to make the system more transparent, less complicated, and more obviously the "own resources" of the EEC, rather than a special contribution by *the 12 national treasuries.*

The change is part of the overall package of reforms in EEC finances, intended to impose stricter spending discipline, reform the Common Agricultural Policy, boost alternative spending on poorer regions, and make the wealthier member states pay more overall.

It also proposes a new British rebate system which would focus exclusively on CAP spending in the UK, rather than on the whole EEC budget.

The result is a rebate which in 1987 would total some Ecu 1bn (£722m) plus lower contributions of some Ecu 300m, instead of an overall reduction in contributions under the current system calculated at Ecu 1.98bn for 1986—in other words, more than Ecu 600m less than under the proposed new system.

The rebate change, and the new VAT collection system, are *both likely to run into strong* British criticism, whatever the other member states may say.

The VAT change could also have an effect in West Germany, where the Federal Government is currently responsible for all payments to Brussels. *If* VAT *of* 1 per cent is in future collected at source, it would mean a reduction in receipts for the state governments as well, unless they can persuade Bonn otherwise.

The whole package is now being debated by top national officials in Brussels, before it gets to foreign ministers in April.

Kampelman cautious on treaty prospects

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

MR MAX KAMPELMAN, the chief US arms negotiator, yesterday gave Washington's Nato allies a cautiously optimistic assessment ofthe prospects for reaching an agreement with the Soviet Union on the elimination of medium-range nuclear missiles in Europe.

However, Mr Kampelman, who was briefing the North Atlantic Council in Brussels on the latest developments at the *Geneva arms control* talks, emphasised that important problems still remained to be solved before an accord could be reached, according to officials.

Much bargaining still remained to be done on the vital questions of verification of compliance with the proposed treaty and the link between the withdrawal of intermediate-range nuclear forces (INF) with shorter-range Soviet missiles.

A similarly optimistic view of the prospects for an agreement *in Geneva was given in Moscow* by Mr Gennady Gerasimov, a Soviet Foreign Ministry spokesman. Mr Gerasimov said that US proposals on the abolition of medium-range missiles in Europe corresponded to understandings reached by Mr Mikhail Gorbachev and President Ronald Reagan at their summit in Reykjavik last October.

The US proposals were tabled in Geneva on Wednesday in reply to Mr Gorbachev's offer last Saturday to reach an agreement on INF separately from other arms control questions. Since the Reykjavik summit, Moscow has insisted that it would only negotiate a package deal, including curbs based defensive system (SDI). on President Reagan's space-

"Our initial reaction (to the US proposals) is very positive," Mr Gerasimov told journalists. "We see things have started to move and we would like to move them quickly, but whether we will succeed or not remains to be seen."

Between an agreement in principle and practical imlementation there can b: "a thousand miles of road," he added. All depended on whether technical issues such as the verification of accords were treated in a businesslike way or made a pretext for delay.

There are currently about 316 US and 270 Soviet medium-range missiles stationed in Europe, though Nato claims that the Soviet Union has about another 200 in the Asian part of its country, which could be moved rapidly to Eastern Europe.

Both the US and Soviet proposals would limit the number of warheads in the INF category to 100 on each side, to be stationed in Soviet Asia and the continental US.

The Soviet Union has proposed that Soviet Asia should be defined as the territory east of the 80th parallel, which lies just beyond the Urals, but the US wants to make sure that the 100 remaining medium-range missiles in Asia should be sited far enough east to be well out of range of Western Europe.

Similarly, Moscow is believed to be anxious that US medium-range missiles should not be sited in Alaska, where they would be in range of Soviet territory.

In Geneva, both sides agreed yesterday to extend indefinitely the INF talks, which were originally due to recess on Wednesday for several weeks.

Mr Kampelman (right) in Brussels yesterday with Mr Stephen Ledogard, head of the US mission to Nato

Danish concern on radar

By Hilary Barnes in Copenhagen

THE DANISH Parliament yesterday called on the Government to ensure that the US does not use an upgraded radar in Greenland for offensive purposes or as part of President Ronald Reagan's Strategic Defence Initiative programme.

The Thule radar in northwest Greenland was upgraded recently by the US to a pjhased array system. The Soviet Union claims that the new system is in conflict with the 1972 Anti-Ballistic Missile Treaty, and this view has been endorsed by some American exports.

Although Greenland enjoys home rule, Copenhagen is still responsible for its foreign relations. The Soviet claim that phased array radars are in breach of the ABM Treaty has caused intense debate here.

The Foreign Minister, Mr Uffe Ellemann-Jensen, assured parliament that the Government believed the facility was not in conflict with the ABM Treaty. He added that it is up to the treaty's signatories, the US and the Soviet Union, *to decide whether the radar* was legal under the treaty.

Australia attacks US dairy plan

By William Dullforce in Geneva

THE US dairy export incentive programme, recently announced in Washington, could seriously undermine the fragile world market, Australia charged yesterday in an attack on US farm trade policy in the General Agreement on Tariffs and Trade (Gatt).

The quantities involved – 141,000 tonnes of butter and butter oil, 372,500 tonnes of milk powder and 73,000 tonnes of cheese – represented substantial shares of total world trade, Mr Bob Arnott, the Australian delegate, said.

Stated US goals of reducing barriers to agricultural trade in the Uruguay Round were being contradicted by its actions, Mr Arnott charged.

Washington had not let up in its programme to subsidise wheat sales with the result that wheat prices were still falling.

The context for the Australian attack was Gatt's annual review of the special waiver which the US gained 32 years ago exempting parts of its farm trade from Gatt rules.

Commission waters down proposal on leaded petrol

BY WILLIAM DAWKINS IN BRUSSELS

EUROPEAN COMMUNITY governments should have the right to ban regular grade petrol containing lead, the European Commission has proposed. If member states agree to the long-awaited scheme, governments will be able to prohibit the marketing within their own borders of leaded regular petrol after giving six months' notice.

The move comes after persistent pressure for a ruling from environmentally-minded West Germany, which wants its own national ban. But it is significantly weaker than outline ideas for a compulsory ban on leaded fuel throughout the EEC floated earlier this year by Mr Stanley Clinton Davis, the environment commissioner.

It is understood that Lord Cockfield, the commissioner responsible for the internal market, argued for an optional ban on the grounds that tougher legislation might hold up the EEC's campaign to create a free Community market for goods and services by 1992.

Yesterday's proposal, which could be presented to EEC environment ministers for agreement late this month, does not affect premium grade fuel. Under EEC law, that must be available in both leaded and unleaded form as from October 1989. The proportion of regular grade petrol *sold* in member states varies widely from a high of 44 per cent in West Germany down to just 5 per cent of total petrol sales in Italy.

Hamburg to test Bonn coalition

By David Marsh in Bonn

ELECTIONS LOOK likely to be called in the early summer in the north German city of Hamburg, posing a further test for the cohesion of the Bonn coalition government's policies.

Mr Harmut Perschau, leader of the Conservative Christian Democratic Union (CDU) in Hamburg, agreed earlier this week to a proposal by the ruling Social Democratic Party (SDP) mayor, Mr Klaus von Dohnanyi, for an early poll in the city, probably in May. This followed the breakdown of a fortnight of talks between the CDU and SDP about forming a grand coalition in the city, which has been ruled by the SDP since the Second World War.

The new Hamburg election will follow hard on the heels of an inconclusive poll in November in which the battered SDP lost to the CDU its majority in the city but remained in power none the less.

The forthcoming Hamburg joust, in which both the CDU and SDP will be trying to present policies appealing to Hamburg's traditionally left-of-centre electorate, will cast a *shadow over efforts* by Mr Helmut Kohl's centre-right coalition in Bonn to put together a new government programme after the general election on January 25.

Drawing up the new coalition government in Bonn is expected to be completed next week, with Mr Kohl's formal re-election as Chancellor by the Bundestag (Federal Assembly) scheduled for March 11.

Fractious negotiations in Bonn between the CDU and its two coalition sister parties, the Christian Social Union (CSU) and Free Democratic Party (FDP) have been heavily influenced by the parties' need to establish political profile in a string of state elections in the next few months.

Apart from Hamburg, the states of Hesse and Rhineland Palatinate are also voting in April and May respectively, with elections in Bremen and Schleswig Holstein in September.

The polls are important not only as a test of confidence in the policies of Mr Kohl, who emerged seriously weakened from the January general election. But if the SPD manages to keep its control of Hesse, defeat for the CDU in Rhineland Palatinate would lose the right-wing its majority in the upper house of Parliament, The Bundesrat in the autumn.

This would seriously impede the Government's legislative programme for the next four years and could sound the death knell for the coalition's DM 44bn tax reform plan for 1990 which was finally agreed in outline at the end of last month.

Spain ends controls on bank interest rates

BY DAVID WHITE IN MADRID

THE SPANISH Government yesterday completed an important package of measures for deregulating the banking industry by scrapping ceilings on interest rates.

The change mainly affects deposits for small savers. The Finance Ministry had previously *set maximum rates on sight and* short term deposits, as well as some kinds of savings account. Banks are now free to set competitive rates, with no discrimination between small and large depositors.

Several banks had already bypassed the previous 1 per cent maximum on current accounts, offering special interest-bearing accounts subject to a minimum average balance.

Commissions for banking services are also freed, on condition that banks announce what their charges are.

The liberalisation of interest rates, wihch can be expected to increase the cost to banks of their deposits, follows a sharp reduction in the share of deposits which they are obliged to channel into Government-directed investments.

Commercial banks will continue to have to keep 10 per cent of their deposits in Treasury bonds, but the share devoted to other special targets, such as export credit and capital goods, which was to be brought down to 13 per cent in 1990, is being cut to 1 per cent. The Government said the change implied "the virtual disappearance of privileged credit channels."

This will liberate funds, but the reduction will only take place gradually over five or six years as current bonds reach maturity.

Banks were insisting on a loosening of the *coefficientes* or quota system to offset the impact of competitive rates for savers.

However, the benefit of the reduction has been counteracted partly by a one-point increase in the compulsory deposit requirement set by the Bank of Spain. This requirement, which includes 2.5 per cent at zero interest and the remainder remunerated at the below-market rate of 8 per cent, is to go up from 18 per cent to 19 per cent on March 13.

The increase, which will take about Pta 200bn (£395m) of liquidity out of the system, is part of an effort to keep monetary growth under control and follows the pushing up of money market interest rates.

Solidarity row mars minister's Polish visit

BY CHRISTOPHER BOBINSKI IN WARSAW

SPAIN'S Foreign Minister yesterday completed three days of meetings with senior Polish officials here which also included a diplomatic fracas over his contacts with the banned Solidarity movement.

Mr Francisco Fernandez Ordonez yesterday *saw* General Wojciech Jaruzelski, the Polish leader, after missing a scheduled meeting at the opera the previous evening with his opposite number, Mr Marian Orzechowski.

The reason was that the police had detained Mr Janusz Onyszkiewicz, the Solidarity spokesman, just before he was due to meet the Spanish minister. The latter refused to carry on with his programme until he had seen the Solidarity official.

Following contacts between the Spanish embassy and the Polish Government, Mr Onyszkiewicz appeared, 90 minutes late for his appointment,

Mr Zbigniew Bujak, the Solidarity leader in Warsaw, and Mr Bronislaw Geremek, a top strategist for the movement, met the Spanish Minister without hindrance. Mr Onyszkiewicz, who teaches mathematics at Warsaw University, was recently the subject of attacks in the media.

This is the second time this week that the police have intervened against opposition activity and tarnished the liberal image which Gen. Jaruzelski is keen to put forward.

Turkey warns on oil search

TURKEY ISSUED a tough warning to Greece yesterday that it will act to stop it exploring for oil in the Aegean Sea, Reuter reports from Ankara.

A Foreign Ministry spokesman said that Greece's "oil activities" in the Aegean beyond its territorial waters were a violation of the 1976 Berne accord which limits exploration by both countries until an agreement is reached on the extent of their continental shelves.

Haughey to seek Brussels help over foreign debt

BY OUR BRUSSELS CORRESPONDENT

MR CHARLES HAUGHEY, the man poised to become the new Irish Prime Minister, announced yesterday that he would be seeking the help and advice of the European Commission in tackling Ireland's I£24bn (£22bn) external debt problem —but not necessarily in seeking a balance of payments loan.

"It is too early to say how much further we would take that process," he said in Brussels, after top-level talks including with Mr Jacques Delors, president of the Commission.

He did not, however, rule out such a loan along the lines of the Ecu 1.75bn (£1.27bn) lent to Greece over the past two years by the EEC, linked to relatively tough conditions

Mr Haughey, whose trip to both the Commission and the European Parliament even before he tries to form a government, underlines the importance of the Community budget for Ireland, spelt out his fears about the process of reforming the Common Agricultural Policy.

"The general thrust of the changes taking place in the CAP over the past two or three years has not been beneficial for Ireland. They have been detrimental," he said.

However, he welcomed, on posals for an overall shake-up balance, the Commission's pro- in EEC finances, including reform of the CAP—provided it included the commitment to doubling the size of the social and regional funds, and concentrating their effect on the poorest parts of the Community.

He also hoped for some greater EEC underpinning for the Anglo-Irish agreement, in the "economic, social and regional field."

Cossiga takes up quest for end to Italian political turmoil

John Wyles and **Alan Friedman** report on the consequences of Mr Craxi's resignation

YESTERDAY WAS day two of the political crisis triggered by the resignation on Tuesday evening of the Italian Government headed by the Socialist leader, Mr Bettino Craxi. Insofar as the absence of a government represents a crisis, then Italy is in crisis, but it is regarded with only casual interest by most ordinary people and economic, industrial and social life continues as normal.

Although Mr Craxi's three and a half years in office greatly reduced the incidence of crisis, most Italians have been through the experience many times before—Mr Craxi's was the 44th government to topple since 1947 and their average life span has been only 10 months.

The longest crisis lasted 126 days and followed the fall of the Andreotti Government in 1979. The shortest period in which the country lacked an administration was seven days in 1960, while the average length of a crisis has been 31.7 days.

A crisis puts a very heavy burden on the Italian President, in this case Mr Francesco Cossiga, a former Christian Democrat from Sardinia. Slightly stooped and grey-haired, Mr Cossiga is distinguished and episcopal in appearance.

His task, which he began with soundings among party leaders yesterday, is to try and push and cajole the parties towards an agreement on who should be prime minister, how the ministerial jobs should be shared out and what the broad approach to policies should be. His first initiative, which may come in the next day or so, will be to ask a Christian Democrat, probably Mr Giulio Andreotti, to form a government.

The same five parties—the Christian Democrats, the Socialists, the Republicans, the Liberals and the Social Democrats—which made up the Craxi Government will probably provide the next one, if they can agree. If they cannot agree, then general elections would be brought forward from next year.

The prospects for agreement are made all the more difficult by the appalling state of relations between the Christian Democrats and the Socialists and their leaders, Mr Ciriaco De Mita and Mr Craxi, who appear to have no trust in each other at all.

Much the larger party, the Christian Democrats think they have a right to head a Government for a portion of the current legislature.

The parties are also divided on whether or not to allow the referenda on nuclear policy and the responsibilities of the judiciary to go ahead in June.

If everything becomes deadlocked, the Christian Democrats are unlikely to try to lead a minority government, nor to seek to rule with Communist support as they did in the late 1970s.

If elections were unavoidable, there would still be a row over who should head a caretaker government as this could yield party advantage. The President would probably seek a neutral caretaker such as Mr Amintore Fanfani, the Christian Democrat *president of the Senate.*

However, the voting shares won by the numerous Italian parties do not differ greatly from one election to the next. So after the vote the parties would have to go through the crisis procedure for forming a government all over again.

Business community counts the cost of crisis in wasted weeks

AS THE political crisis gets *under way in Rome,* businessmen in northern Italy shrug their shoulders in disgust and complain about the "waste of time." After three and a half years during which the Italian economy flourished, many businessmen are angry at the prospect of political uncertainty and concerned that several key industrial issues will be left unsettled for the duration of the crisis.

The consensus view among bankers and industrialists in Milan is that the crisis will cost *at least* three to five weeks of time and perhaps even several months if the country is headed for early elections.

"Now the actors in Rome must perform their political melodrama," was the cynical comment of one Milanese industrialist.

The business community sees the crisis as far more than just an annoyance, however, almost every sector, be it industrial or financial, is worried about legislation or deregulatory measures or ministerial decisions being held up while the politicians go through the full ritual of a crisis.

The Milan bourse, which has seen its main share index decline by 7 per cent since the start of 1987, has already anticipated the Rome crisis in large part. Share prices reflect as much. The equity market is unlikely, meanwhile, to show any signs of recovery during a crisis.

Several specific industrial and financial matters of genuine importance for Italy are likely to hang fire while the crisis continues. These include the proposed merger of the telecommunication subsidiaries of the state IRI-Stet group (Italtel) and of Fiat (Telettra). Even before the crisis, Socialists and Christian Democrats were beginning to cross swords on aspects of the merger, which would lead to the creation of a new entity called Telit.

Given the desire of Fiat and Stet to join forces in Telit and then propose collaboration ventures with Plessey, GEC, Ericsson and other European telecommunications companies as soon as possible, the delays resulting from the Rome crisis will be doubly frustrating.

Settling the long-running dispute concerning the control of Mediobanca, the Milan merchant bank, is also going to be more difficult as a result of the crisis. The row, between a small group of private sector minority shareholders and the IRI state holding group which has 56 per cent of Mediobanca shares, will soon fall into the lap of Mr Antonio Maccanico, who has until now served as secretary-general in the office of President Francesco Cossiga. The respected Mr Maccanico has been named new Mediobanca chairman, but the issue remains a political hot potato.

Telit and Mediobanca are merely two of the more prominent such issues which now go on the back burner. Other issues include prospects for a far-reaching agreement between the ENI state energy group and Montedison to rationalise their chemicals holdings by means of joint ventures or the plan by the Consob stockmarket authority to propose major structural reforms in the bourse by way of legislation.

Several large companies in northern Italy will also be disappointed at the stalling of legislation proposed by Finance Minister Bruno Visentini which offers tax incentives tied to the revaluation of assets.

Prime Minister Bettino Craxi has clashed on occasion with various business leaders, including both Mr Gianni Agnelli and Mr Carlo De Benedetti. But he is generally seen as a fervently pro-business kind of Socialist. The sentiment in the Milan business world therefore is that things have been going *relatively well of late, and at* least with Mr Craxi leading Italy it has been the "devil you know."

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Mexico declares strike 'does not exist'

By David Gardner in Mexico City

MEXICO'S ruling Institutional Revolutionary Party this week celebrated seven decades as a regime and 58 years as a party by delivering two knock-out blows to its opponents.

On Tuesday evening the authorities ended the electricians' strike, begun last Friday by declaring it legally "inexistent."

Shortly before, Mr Jorge de la Vega, PRI president, wound up the party's 13th national congress by confining the democratic opposition within its ranks to political "inexistence."

The so-called Democratic Current, which has emerged over the past six months, was no more than "a letterhead" Mr de la Vega said. It should in any case find itself another party since the PRI "has no room for fifth columnists and Trojan horses."

The Democratic Current, led by former president Mr Porfilio Munoz Ledo, and Mr Cuauhtemoc Cardenas, an outgoing state governor, and son of General Lazaro Cardenas, the revered president of the thirties' who nationalised Mexico's oil, has been calling for open party elections to select President Miguel de la Madrid's successor, who is due to take office in 1988.

The declaration of "inexistence" handed down by labour courts against the striking Sindicato Mexicano de Electricistas (SME) obliges them to re-start work within 24 hours or lose their jobs.

The SME's claim for a 23 per cent emergency wage increase in line with the minimum wage rise the government decreed from January 1 has thus been dismissed. However on March 16, the electricians are due to begin negotiations on their own yearly wage contracts, where they want 73 per cent. Inflation is 105 per cent.

Continuing intransigence by the authorities could lead to renewed strike action, and in that event, it would be more difficult for the mainstream pro-government trade unions in the public sector to limit their support for the electricians to declarations, as they have this week.

Ivo Dawnay assesses the Brazilian president's prospects after the collapse of the Cruzado plan

Carnival mood fades fast as Sarney fights for survival

NOW the carnival is over, President Jose Sarney of Brazil is *forced to look out on a domestic* political landscape a great deal more hostile than he might *have hoped just three weeks* ago.

From his rural retreat 45 *kilometres from Brasilia*—where he was reportedly analysing options for the economy—Mr Sarney *can hardly fail* to have heard of the widespread criticism of the Government, delivered through the powerful popular medium of carnival parades.

In Rio, *for example*, one Samba group accompanied their dazzling floats with a song *that broadly warned the political* establishment: "We won't be fooled again."

The fooling, many Brazilians feel, came with the so-called Cruzado plan which, a year ago *to the weekend, promised zero*-inflation and an indefinite price freeze. Now with hyper-inflation and indexation back, the public is proving less gullible.

President Sarney, also under pressure from a critical Congress, has taken some steps to try to restore some of his lost authority. And though no one would argue that the drastic decision last month to suspend $68bn in foreign debt interest was a public relations gimmick, it could have met a better reception at home, even allowing for the distractions of carnival time.

The defiant and jingoistic wording of the President's announcement was intended to *inspire demonstrations of solidarity* on the streets.

But public reaction was equivocal. *The* media, *increasingly* exasperated with the apparent inaction of the Government on the domestic economy, ranged from ambivalence to outright hostility — particularly to the *passage dismissing in advance* any criticisms of the move as "treason."

More than one paper claimed the country's foreign reserves crisis was of the Sarney Administration's own making. Furthermore, those that published interviews with a random cross-section of the public found more anxiety than joy.

Equally dispiriting for the President was the impassive public reaction to his unexpected announcement last Friday of a remarkable 42 per cent increase in the key national minimum monthly wage from Cruzados 965 to Cz 1,638 (about £59.50).

The gesture will have a marked impact as the minimum wage forms the basic unit in many, if not most, salaries. Yet the increase—just like an earlier unilateral 25 per cent handout to federal civil servants in the New Year—does not appear to have won him back much of the popularity lost with the Cruzado plan.

Jose Sarney: under pressure from Congress

Mr Sarney's need for popular approval *is not simply a politician's* vanity. Support from the masses is a vital component in the President's battle to keep the six-year term of office conferred on him by the old military constitution, but now under review.

With a new constitutional assembly now sitting, Mr Sarney *is* fighting tooth and nail to maintain his term. But *the outcome is* by *no means* certain.

Many Congressmen believe *that the assembly should* immediately be empowered to alter the existing constitution, even *before they* have drawn up a full text for its replacement.

Mr Sarney opposes this on the grounds that it makes nonsense of his executive duty to *manage the economy* and the country day-to-day. But at the same time, he would dearly *love to* have the awkward question of his mandate resolved quickly.

The *position is contradictory*. If the assembly can define the presidential term, it must also *have sovereign powers to* overule his powers.

Chief among Mr Sarney's problems is the figure of Mr Ulysses Guimaraes, president of the assembly and veteran leader of the dominant coalition party, the Brazilian Democratic Movement (PMDB).

While publicly this crucial relationship *is* all smiles and handshakes, many politicians argue that it is closer to that of the mongoose and the snake. Few would venture to say, however, who is playing which role.

Mr Guimaraes's presidential ambitions have been nurtured for 20 years. Conspiracy hunters in Brasilia suspect that at *the end of the constitution*-drafting process he might suddenly spring a provision for rapid presidential elections.

If they are right, Mr Sarney could find himself fighting for his office as soon as mid-1988, instead of 1991.

The President is not without *allies*, however. *Members of* the junior coalition partner, the right-wing Liberal Front (PFL), are *as determined* as he to fight off the prospect of a premature presidential race.

Badly mauled at last November's Congressional elections, the PFL needs a breathing space to reform, rebuild organisation and financial resources and select its own candidate, a process which looks set to take more than a year.

One strategy thought to be under consideration by Mr Sarney and his old colleagues on the right is to manage the assembly so as to be able to offer Mr Guimaraes the prime ministership in a broadly parliamentary system of government. Like President Francois Mitterrand of France he could then let his first minister take the flak for any unfortunate consequences of the high risk PMDB economic and debt policies now being pursued.

Mr Sarney's search for a popular power base outside Congress is therefore, at least, *as understandable as it* has been crude. He is attempting, in a word, to create a king's party to oppose the power-hungry parliamentarians.

Last week, the President proved that his lobby in the PMDB is also a formidable force, outmanoeuvring those seeking sovereignty for the assembly by large scale abstentions from a key vote. Mr Guimaraes was not only out-plotted but made to look like a figure of the progressive left —a group unable to command a majority.

Public cynicism with politi*cians could* work in his favour as well. Many electors might not thank Mr Sarney's ambitious *rivals for forcing another* election campaign.

But much will depend on the handling of the economy *in the* coming weeks and the efforts of Finance Minister Dilson Funaro to resolve the debt issue.

One candidate in any case is all but official. Pele, master footballer, all-purpose television personality and the world's most famous Brazilian, has declared himself ready to serve. With post-carnival, post-Cruzado, post-moratorium Brazil in its current mood, that may not be as laughable as it first appears.

Argentine heavy water plant wins new loan

By Tim Coone in Buenos Aires

A SWISS banking syndicate is to loan a further SwFr 116.5m (£48m) to Argentina to complete the construction of a turnkey heavy water production plant to supply three heavy water nuclear reactors.

The deal was signed this week between the Argentinian Atomic Energy Commission (CNEA) and the banking syndicate led by Union Bank of Switzerland. It makes a total of SwFr 534.9m for the project since construction began in 1981.

The plant is being built by Sulzer Brothers of Winterthur in Switzerland. Completion *and handover to the* CNEA is expected by the end of 1988, four years later than planned.

The government is unwilling to discuss its nuclear energy programme, *but the* construction delay is thought to have been because of financial difficulties in the CNEA and earlier debt servicing problems.

Argentina operates two heavy water nuclear reactors, a total of 1,000 MW capacity. It is building a third of 740 MW capacity due for completion by the end of 1992, five years later than planned.

The first three years' production of the new heavy water plant will be dedicated to supplying the new reactor being built with assistance from the West German company, Kraftwerk Union, and will later supply a new generation of reactors being developed by Argentina aimed both at the domestic energy programme and the export market.

Annual production of the new heavy water plant will be about 200-250 tonnes.

Quake hits N Chile

AN EARTHQUAKE struck northern Chile yesterday, damaging buildings and causing a power failure. There were no immediate reports of injuries, Reuter reports from Santiago.

The US Geological Survey said the tremor measured 7.3 on the open-ended Richter scale, which means it was a big quake capable of causing heavy damage.

Supreme Court ruling lifts threat to overseas component makers

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE Supreme Court in Washington has reduced a potentially *serious legal threat to* components manufacturers whose products end up in the US.

The court has ruled unanimously that the California state court have no jurisdiction to hear a claim by a Taiwanese company against a Japanese company that has no business presence in the state.

However, the court divided 4-4 with, *in effect, one* abstention, on the issue of what acts by a non-US company would bring it within the *jurisdiction* of state courts.

The split presages problems in future cases in an area *that* has caused considerable anxiety among component manufacturers in Britain and elsewhere outside the US, notably in the electronics industry.

It was the serious implications that prompted the Confederation of British Industry and the American Chamber of Commerce in London to make an unprecedented intervention, in the Supreme Court hearing in support of the Japanese company's appeal.

Although no British company was involved the two organisations were acutely aware of the potential effect of the case on their members, large numbers of whose products find their way to the US.

Yesterday they welcomed the Supreme Court's ruling which, they said, was of fundamental *importance to British industry* because product liability damages in the US could run into *tens of millions of dollars* in a single action.

They saw the decision as a clear limitation on US claims to extra-territorial jurisdiction.

The case arose from a motorcycle accident in California, allegedly caused by a tyre bursting. The victim's family sued the tyre manufacturer, Cheng Shin Rubber Industrial of Taiwan, for damages. The case was settled out of court for an undisclosed sum.

Cheng Shin, which has a business presence in California, then sued Asahi Metal Industry, a Japanese company which supplied tyre valves to Cheng Shin, for a contribution to the damages.

Asahi has no business presence in California and all its dealings with Cheng Shin were in Taiwan. A jurisdiction battle in the *Californian courts* ended with the state supreme court holding that the state had *jurisdiction because, although* Asahi had no business links with California, it had been *foreseeable* that some of *its* components would end up there.

That ruling has been overturned by the Supreme Court in Washington, which held that it would be unreasonable and unfair for the Californian courts exercise *jurisdiction* over Asahi.

It would be unduly burdensome for Asahi to have to go to California for the trial and to have to submit to a foreign judicial system. Also it would be no more convenient for *Cheng Shin to* have the trial in California rather than in Taiwan or Japan, the court said.

The judges also referred to the need to take account of the international implications of a US state court exercising jurisdiction over "an alien defendant."

That decision was sufficient for Asahi to succeed on its appeal. *At least as important*, however, from the point of view of industry, is the split between the judges on the issue of the degree of involvement of a non-US company in "the stream of commerce" required to bring it within reach of a state's court.

Central *to that issue* was whether mere awareness on the part of a foreign company that components it manufactured, sold and delivered outside the US would reach the US in "the stream of commerce" constituted "minimum contacts" between the company and the particular state such as to give the state courts jurisdiction.

Four judges, including Chief Justice Rehnquist, said that it did not. There must, they said, be an act by the company "purposefully directed" towards the state. The mere placing of a product into the stream of commerce was not such an act.

Additional conduct by the *company—such as designing* the product for the market in that state, advertising, or establishing channels *for providing* regular advice for customers there, or marketing through an agent in the state—might indicate an intention to serve the market in that state.

That view was contested by four other judges who saw no need for such additional conduct. The stream of commerce, they said, referred not to unpredictable currents or eddies, but to the regular and expected flow of products *from* manufacture to distribution to retail sale.

"As long as a participant in this process is aware that the final product is being marketed in the state, the possibility of a lawsuit there cannot come as a surprise."

Manufacturers will have to wait for another case, in which *the foreign company concerned* does not have the same "remoteness" from the US as did Asahi, before they will know for sure that the threat has been removed.

Brazil removes air of complacency

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

BRAZIL'S suspension of interest payments on $68bn of debt to banks was greeted fairly calmly in financial markets when it was announced last month. However, it issues a jolting challenge which may radically alter the handling of the developing country debt crisis that has lasted four and a half years.

An air of both fatigue and complacency had settled on the continual round of negotiations with debtor countries. Brazil's message—still to be accepted publicly by governments and the major creditor banks—is that short-term muddling through is no longer enough.

When Mexico's finances collapsed in 1982, shock waves went through the world's banking system and the immediate need was to produce rescue mechanisms which would prevent severe damage to the system.

The crisis swiftly spread throughout Latin America—only Colombia and Paraquay have escaped reschedulings. Most countries had taken on excessive debts, then found they could not service them because of high real and nominal interest rates, falling prices and contracting markets for export commodities, and unwillingness of banks to provide new loans.

The components of the typical rescue were: austerity economic programmes overseen by the International Monetary Fund; provision of bridging loans to keep countries solvent; the rescheduling of principal payments to official and private creditors; and the arrangement of new loans of which the prime purpose was to enable countries to pay interest.

This system set a crucial role for the advisory committees of leading creditor banks of each country, which negotiate with the borrowers and seek to obtain terms which they can encourage other banks to accept. In particular, it set Citicorp at the centre, for it chairs the committees for Brazil, Mexico, Argentina, Uruguay and Peru.

The theory was that economic discipline and continued debt servicing would pave the way for a quick return to voluntary lending to the debtor countries by the capital markets.

For a while, crisis management seemed to work. At any rate, it bought important time which reduced the risk to the banking system.

Later, however, it became clear that austerity, though it enabled debtors to pay interest on their debt, would provide no solution to developing countries' economic problems. Instead, the view that economies must be allowed to grow out of their problems gained acceptance.

The announcement by Mr James Baker, US Treasury Secretary, of the Baker Plan to spur financing to support growth-oriented adjustment programmes was not, however, quickly taken up. Slowness in providing finance has been criticised by US officials and most recently by the World Bank in a gloomy report.

"Additional financing arrangements must be mobilised. If they are not, alternative and more damaging schemes for reducing the burden of debt service will gain ground," the World Bank said.

The figures in the accompanying table highlight the problem. In the past three years, the 17 highly indebted countries received disbursements of new credits totalling $75.7bn, but debt service payments totalled $148.7bn, making a negative net transfer of $73bn.

The key question, however, is how new finance is to be channelled. Mexico's bank package was obtained over the objections of banks including Citicorp to what were viewed as concessionary terms. Other ground has been given to Chile—again over Citicorp's objections.

More broadly, banks are faced with a dilemma. Can they justify making new loans to countries when prudent banking practice would immediately have them make provisions against those loans?

Inspite of this, many bankers who have followed the crisis closely privately accept that a new approach is needed. Schemes to convert foreign currency debt into local currency investment in productive businesses — already successfully under way in Chile and Mexico —can help somewhat and should be expanded, they believe.

Many also accept that banks with small exposures should be allowed to escape through mechanisms such as "exit bonds" now being proposed.

This cannot solve the overall problem of funds transfers. If Brazil's crusade is successful, it will involve a much heavier participation by official creditors and multilateral institutions, and possibly measures such as partial capitalisation of interest by banks.

Overhanging the crisis is the probability that the growth of the world economy which has been seen over the past few years will eventually subside.

PUBLIC AND PRIVATE LONG-TERM DEBT AND FINANCIAL FLOWS, 1982-84

Long-Term Debt and Financial Flows	1982	1983	1984	1985	1986
109 developing countries			US$bn		
Debt disbursed and outstanding	551.2	630.2	673.4	730.9	775.0
Disbursements	115.8	96.5	88.3	81.7	72.0
(from private creditors)	83.9	63.9	56.1	52.1	41.0
Debt service	97.4	90.8	99.0	108.0	101.0
Principal repayments	48.8	44.0	46.3	53.5	51.0
Interest	48.6	46.8	52.7	54.5	50.0
Net transfers	18.4	5.7	−10.7	−26.3	−29.0
Highly indebted countries*					
Debt disbursed and outstanding	276.5	329.2	354.0	367.6	382.0
Disbursements	60.1	39.7	32.3	22.4	21.0
(from private creditors)	50.9	29.7	22.5	13.6	12.0
Debt service	56.6	48.2	51.6	50.1	47.0
Principal repayments	25.8	19.1	18.4	17.1	16.0
Interest	30.8	29.1	33.3	33.0	31.0
Net transfers	3.5	−8.5	−19.4	−27.7	−26.0

* A group of seventeen middle-income developing countries with high-debt and debt-service ratios that includes: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Côte d'Ivoire, Ecuador, Jamaica, Mexico, Morocco, Nigeria, Peru, Philippines, Uruguay, Venezuela and Yugoslavia.

Source: World Bank

US concentrates on conditions for growth

BY ANATOLE KALETSKY IN NEW YORK

CONFIDENT, relaxed and indulgent: this is the best way to describe the US Government's response to the Brazilian interest moratorium.

This contrasts with the frenzy of activity which followed Mexico's detonation of the Third World debt bomb back in August 1982—the all-night meetings at the Federal Reserve Board, the secret shuttles from Mexico City to Washington, the furious telephone calls to bank chairmen and the anxious consultations with the Central Intelligence Agency.

The contrast is symptomatic of a gradual tilting of the balance in the US government's concern to the fostering of conditions for worldwide economic growth and a reduction in the US trade deficit.

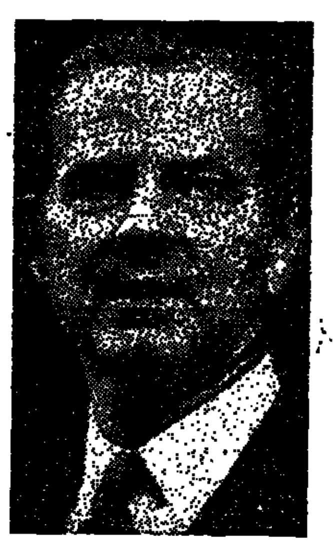
As a result, Brazil's demand for a "no recession" answer to its financial plight is understood to have received a sympathetic hearing from Mr James Baker, the US Treasury Secretary. In his public statements, of course, Mr Baker has stopped short of positively endorsing a unilateral moratorium.

In the Senate last Thursday, Mr Baker said: "The Brazilian situation reflects their decision to prevent an uncontrolled rundown of foreign exchange reserves and a repeat of the near-collapse experienced in 1982." Brazil had indicated "its intention of meeting all its obligations" and it was now up to the banks and the Brazilians to find a mutually acceptable way for the country to do this.

While that may sound no different from the sort of comments that US officials have been making throughout the debt crisis, its significance lies in the fact that Mr Baker was speaking not only about a unilateral moratorium but also about a threat to block repayment of short-term credit lines to unco-operative banks — a more aggressive act even than the original interest suspension.

He was also speaking about a country which had so far categorically refused to accept an IMF adjustment programme.

Since he took over at the US Treasury in early 1985, Mr Baker has had one over-riding priority — to combat the deflationary tendencies in the world economies to help the US narrow its trade and budget deficits without suffering a recession.



James Baker: gave Brazil sympathetic hearing

One of the main elements of this strategy was the plan, which he announced in Seoul in October that year, to channel at least $20bn in additional finance to the Third World.

Mr Baker's impatience with both the banks and the IMF was obvious last summer when Mexico returned to the brink of default. The Mexicans' demand for $12bn to $15bn of new financing on generous terms was at first met with incredulity and protest.

As it became clear that the Mexicans were adamant and that the US Government would not attempt to shift their stance, however, the banks reluctantly came up with $6bn of new money, while the IMF agreed to an unusually permissive adjustment programme largely devised by the Mexicans

Since the Mexican breakthrough more and more debtors have been winning concessions from their private creditors while the IMF has been relegated to a subordinate role. This January Brazil became the first country without an IMF programme to negotiate a rescheduling of its government-to-government debts at the Paris Club.

Cushioning provisions made by banks vary

By David Lascelles, Banking Editor

THE PROVISIONS which banks should make to cover the risk of loss on their Third World exposure has been a matter of constant debate over the five year life of the crisis.

On the one hand, the sheer size and volatility of the debt problem demand a high level of prudence, but on the other, bankers have argued that sovereign nations will always pay their debts back in the end, so there is no need for panic.

Even now, practices vary widely from one lender country to another, with some banks having made ample provisions, others few. The exact picture is hard to assess since banks do not detail their provisions, but it is generally thought that European banks are better provided than the US banks.

The Swiss banks, for example, are believed to have made provisions equivalent to more than a third of their exposure, while US banks have probably set aside less than 5 per cent.

The variations are partly explained by different regulatory procedures. The banking authorities in a number of countries, Japan and Switzerland among them, identify problem debtor nations and suggest or require particular levels of provisions by their banks.

Problem countries

The US also officially identifies problem countries, but so far the list includes only minor ones such as Zaire and Sudan. It does not extend to Brazil, Mexico and Argentina, so has little impact.

Taxation is another factor. Banks in countries which give liberal treatment to provisions as a business expense are bound to have larger bad debt reserves. This applies in particular to continental countries. The UK has also recently taken a more generous approach, with the result that specific provisions for LDC (less developed countries) debt have risen quite sharply in the last 12 months.

The UK bank results announced over the last 10 days contain evidence of this. Midland Bank, which has some of the largest LDC exposure among UK banks (about £4.7bn worth), made a £60m provision against countries which are trying to reschedule their debt repayments. In addition, it transferred £100m from its general reserve to its specific reserve.

Lloyds Bank, which has a similarly large exposure, added £120m, bringing its total international provisions to £556m, equivalent to more than 3.5 per cent of its total international exposure.

Profitability — or the lack of it — also influences the size of the provisions, though bankers will usually deny this. The relatively low profitability of US banks is often cited as a reason why they have not made larger provisions: they cannot afford to without spoiling their earnings record. In addition, the recent changes in US tax laws tighten rather than relax the tax treatment of provisions, making them costlier than before.

Most large US banks increased their total provisions last year but much of the increase is believed to have been earmarked for domestic loan problems, in particular in the energy sector, rather than LDC debt.

Charge-offs

Manufacturers Hanover, which has the largest Latin American exposure among the US money centre banks, charged off $120m of foreign loans ut of a total of $500m of charge-offs.

J. P. Morgan, the parent of Morgan Guaranty, reduced its total provisions between 1985 and 1986, though it gave no breakdown between domestic and foreign provisions.

Citicrp, the largest US bank made exactly the same provision against loans to institutional clients as in 1985, $390m.

Another factor is the distinction which banks make between sovereign loans (to governments) and loans to industrial or private sector borrowers in LDCs. Most of the provisions are made against the second category because the risk of loss is thought to be greater.

Mr Robin Monro-Davies, managing director of IBCA, the London-based bank rating firm which analyses bank provisioning practices, says banks should be providing for between 20 and 40 per cent of their Latin American loan exposure.

"We are not saying that a particular level is right, but we believe this range to be reasonable," he said yesterday.

Even if there is a resistance by banks for understandable reasons to making big bad debt charges to their profits, the trend, at least, is in a steady upward direction. The cushion in the banking system to absorb the shock of loss is much thicker now than in 1982, though whether it is thick enough to withstand the shock of a major default is a test no bank hopes to witness.

Mexico's financial collapse in 1982 set trend for many more

BY ALEXANDER NICOLL

THE following countries have rescheduled debt since 1982: Argentina, Bolivia, Brazil, Chile, Ecuador, Mexico, Morocco, Nigeria, Peru, Philippines, Poland, South Africa, Uruguay, Venezuela, Yugoslavia.

BRAZIL $104bn

The arrival in 1985 of Mr Dilson Funaro as Brazil's Finance Minister was a turning point in the country's handling of its debt crisis. Until then—even after Mr Jose Sarney became President—Brazil had engaged in prolonged fencing with the IMF.

Mr Funaro, however, has led a crusade against IMF-imposed austerity. For foreign creditors, this was not of crucial importance while the country needed no new money, and while economic progress appeared to be being made under the Cruzado Plan.

It has now become crucial however as Brazil faces its creditors again. Following the collapse of the Cruzado Plan and sudden shrinking in the country's trade surplus, Brazil last month suspended interest payments on its $68bn of medium- and long-term bank debt, becoming the first major debtor to do so.

MEXICO $100bn

Mexico's financial collapse in August 1982 sparked the developing country debt crisis. Its dramatic arrangement of emergency financial support from the US was followed by a moratorium on principal repayments. Then the work began on the first of many rescue packages for Latin American countries from official and private creditors around the world.

In the succeeding months, Mexico began to appear as a model of what could be achieved by such rescue packages. It adopted an International Monetary Fund austerity economic programme and at first stuck to many of its targets even though oil prices were declining.

Its 526 commercial bank creditors meanwhile arranged a new loan of $5bn and the rescheduling over eight years, including four years grace, of $23bn of public secor debt falling due between August 1982 and December 1984 at an interest margin of 1⅞ percentage points above London interbank offered rates (Libor).

The euphoria lasted through 1983, and Mexico arranged in 1984 a new $3.8bn loan at 1½ per cent over Libor, compared with 2¼ on the earlier $5bn loan. The maturity was also longer at 10 years instead of six. In 1984 there was talk of the country returning to the markets to receive voluntary lending.

In 1985, strains began to appear, but a $48.7bn multi-year rescheduling over 14 years was agreed, cutting spreads to ⅞ for 1985 and 1986, 1⅛ for the following five years, and 1¼ thereafter. Falling oil revenues and rising imports put new pressures on cash flow.

At an August signing in New York, Mr Jesus Silva Herzog, the Mexican Finance Minister, who had guided his country through all the negotiations until then, warned banks that there must be a resumption of lending to the Third World.

The restructuring of debt, he said, was not the solution

By the end of 1985, his words were already appearing prophetic. Not only did the country suffer severe earthquakes in 1985, but there was a renewal of capital flight and the peso weakened sharply.

The oil price fell sharply in early 1986, and the country's financing needs began to mount. In February, Mexico signalled that it would need a large new package and reduced interest rates.

It was not until July, however, and after Mr Silva Herzog's replacement by Mr Gustavo Petricioli, that Mexico signed a ground-breaking agreement with the IMF allowing for contingency funding should the country's growth rate not match targeted levels and if oil revenue were eroded by a further fall in oil prices.

Alan Garcia: led Peru into isolation

ARGENTINA $50bn

Argentina's debt problems were complicated at first by the Falklands War which made it difficult for British banks to take part in loans and reschedulings. Though that hurdle was overcome, the country's negotiations with foreign creditors were marked by a series of delays, patched-together bridging finance, and cliff-hanging deadlines on the repayment of interest arrears.

It was not until the autumn of 1984 that Argentina reached an agreement with the IMF, and a $14bn rescheduling and $4.2bn new bank loan was not signed until August 1985.

Following Mexico's IMF agreement reached last year, Argentina obtained similar concessions in its new accord with the IMF for a $1.2bn standby. The country is requesting a $2.1bn loan from commercial banks and a $30bn rescheduling.

It is seekinng unspecified lower interest rates on the bank package, which is under negotiation with the country's leading creditor banks in New York. As a sign of confidence, it is to receive a $500m bridging loan through the Bank for International Settlements.

PERU $14bn

Under President Alan Garcia, Peru has gone further than any other major debtor in rejecting orthodox treatment of foreign debt problems.

Before he took office in July 1985, Peru had had successive negotiations with the IMF although it encountered repeated difficulties in meeting IMF targets and built up payments arrears. In 1984, banks had rescheduled $1.5bn of debt to banks as part of a package.

Following Mr Garcia's adoption of a bar on debt service payments exceeding 10 per cent of export receipts, arrears mounted. Unlike any other Latin American country, Peru had also allowed arrears to build up in payments to the IMF itself.

Last August, the IMF ruled it ineligible to receive further credit

Though the domestic economy has shown healthy growth, reserves have fallen steadily. Peru is now isolated from the international financial community, with relations with other creditiors in abeyance. Last month, it refused to accept a routine IMF mission

BOLIVIA $4bn

Bolivia's deep economic troubles led it to suspend interest payments to banks in 1984. In 1985, it introduced drastic measures to reduce inflation put then at 14,000 per cent.

Last year, President Victor Paz Estenssoro's government reached agreements with the IMF and sovereign creditors, including the US which provided bridging finance.

CHILE $20bn

Perhaps more than any other country in Latin America, Chile—under the military rule of General Augusto Pinochet—has adhered to targets set in its IMF programmes although the fall in the copper price meant inevitable slippages. Partly as a consequence of its scrupulous approach, its packages have been marked by several important innovations which have set precedents for other debtors.

In 1985, it arranged a new loan package with commercial banks which was closely linked to a World Bank structural adjustment programme for the first time and included a World Bank guarantee for part of the total.

This year, after obtaining a new IMF agreement, Chile has reached a new rescheduling deal cutting interest costs to 1 per cent over Libor on most debt to banks.

ECUADOR $8bn

Ecuador has won bankers' praise for its attempts to curb its budget under an IMF programme which had paved the way for reschedulings of official and bank debt, as well as new loans.

Recently the country missed an interest payment and it is seeking an arrangement similar to Chile's under which it would pay interest only once a year.

NIGERIA $21bn

Negotiations on Nigeria's debt have been dogged by arrears on its uninsured trade credits. The problem recently raised its head again when Nigeria failed to make an expected payment in January. That could jeopardise Nigeria's broader Baker Plan package, agreed last year, which includes an IMF agreement, Paris Club accord, and a new bank loan of $320m with a rescheduling of $3.8bn of debt over six years at 1½ per cent over Libor.

Philippines $28bn

President Corazon Aquino's government is engaged in negotiations with its leading bankers in New York although its chief negotiator, Mr Jaime Ongpin, the Finance Minister, is under pressure at home to adopt a radical approach to debt payments along Brazilian lines.

However, the country does have a previous IMF agreement —originally signed under the presidency of Mr Ferdinand Marcos—still in place and recently agreed a new Paris Club rescheduling.

Mr Ongpin is seeking terms similar to those agreed for Mexico.

POLAND $34bn

Poland, which has had a series of commercial bank reschedulings last year joined the IMF after delays because of the country's imposition of martial law and western sanctions. This paved the way for a resumption of relations with western sovereign creditors.

VENEZUELA $35bn

Venezuela, which already had a multi-year rescheduling agreement in place, last week reached a new agreement with leading bank creditors easing the terms. It reschedules $21bn over 12 years at a margin of ⅞ over Libor, and the country will continue to repay some principal. Bankers are anxious that the Venezuelan interest spread be seen as benchmark, rather than Mexico's 1⅛ per cent.

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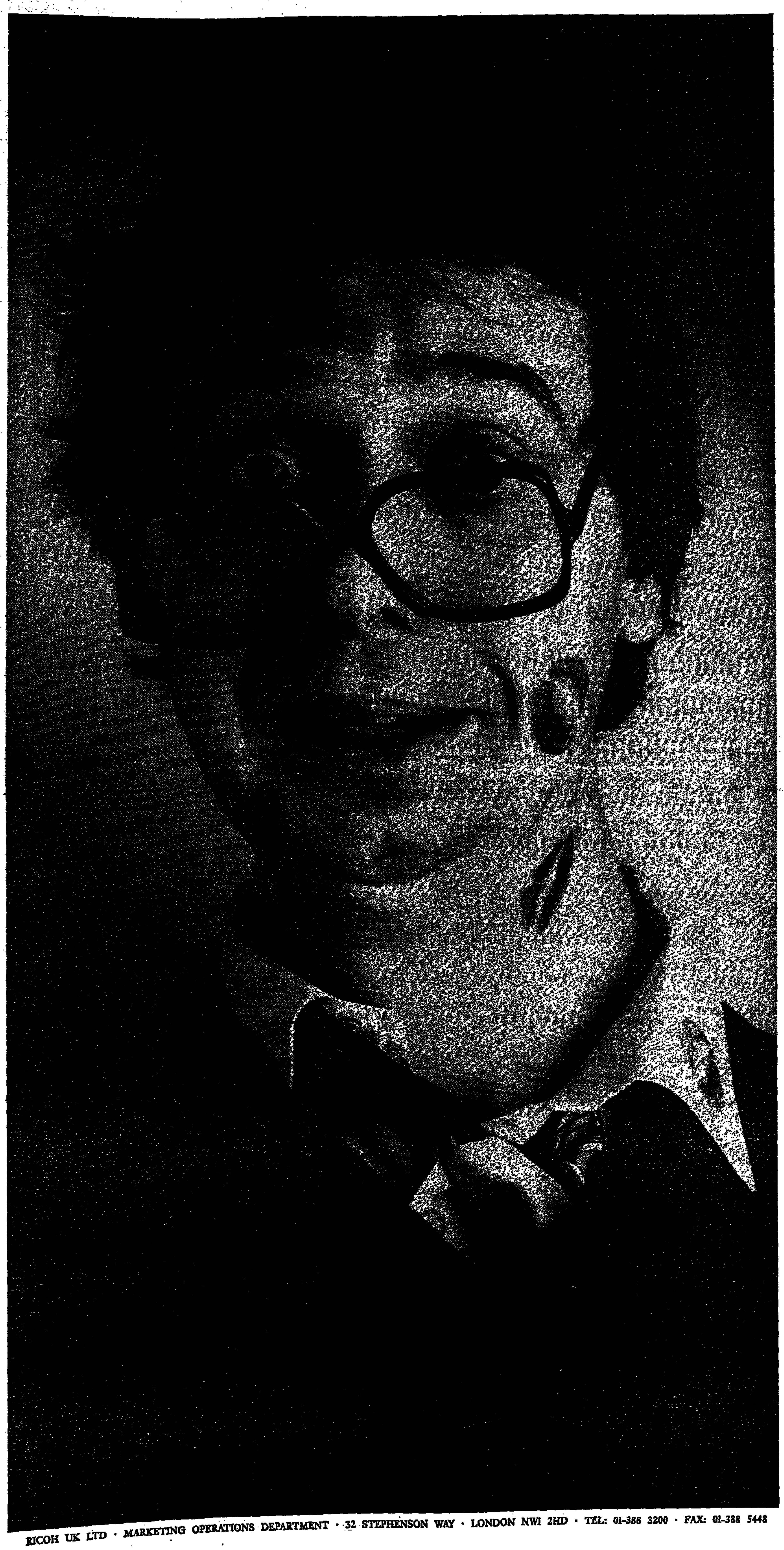

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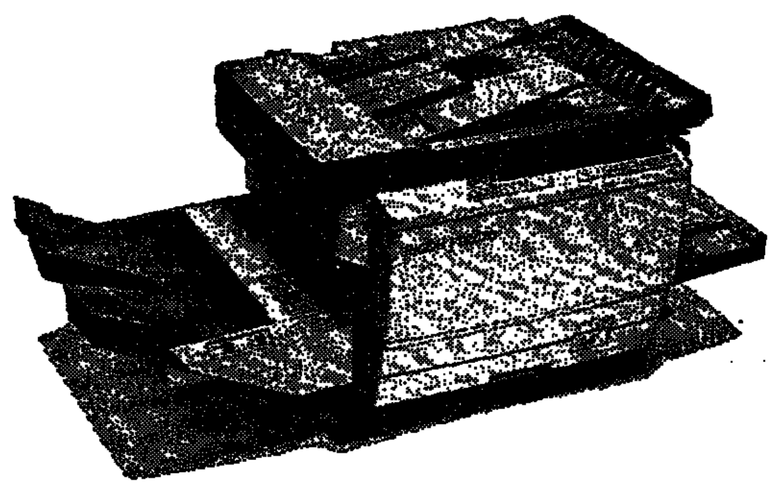

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هكذا من الأصل

BAe wins orders worth $260m for 146 jet airliner

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AEROSPACE has won new orders worth over $260m (£166m) for a total of 13 Type 146 four-engined regional jet airliners and six twin-engined turbo-propellor light aircraft.

Sir Raymond Lygo, managing director of BAe, announcing the orders yesterday, said they brought to about $1.5bn the total of new civil aircraft business won by the group so far this year, including BAe's share of the big orders for the European Airbus recently announced by All Nippon Airways of Japan and American Airlines of the US.

"This is easily a record for us so early in the year," he said. "It demonstrates not only that the civil aircraft market is picking up, as we always said it would, but also that we are holding our own in it under fiercely competitive conditions."

The latest orders include a further ten BAe 146s for Presidential Airways of the US, to add to its existing five 146s; two more freighter versions of the 146 for the TNT Group, which already has one of these aircraft on order; and a 146 for an unnamed African country for combined airliner and VIP use.

The new 146 deals bring total firm orders for that aircraft to 91, of which 63 have been delivered.

The orders for the Jetstream aircraft include four for Aliblu, a new Italian domestic airline, and two for States West, a US regional airline. These bring total Jetstream sales to 154 aircraft from 24 operators in nine countries.

To meet expanding demand for the 146, BAe is to set up a second final assembly line, at its Woodford, Manchester, factory to complement the existing assembly line at its Hatfield, Hertfordshire, factory. This will create at least 200 new jobs at Manchester.

Commenting yesterday on BAe's plans to participate in the proposed new European Airbus ventures, the A-330 and A-340, Sir Raymond said BAe was still discussing with the Government its application for up to £750m launch aid, with a decision hoped for within the next few weeks.

Saudis press UK for defence accord offset

BY RICHARD JOHNS AND DAVID BUCHAN

SAUDI ARABIA is understood to be determined to obtain British investment in joint ventures in return for the massive outlay on 132 aircraft—including 72 Tornados—weapons systems, training and infrastructure.

The first meeting of a UK-Saudi comittee established to offset part of the value of the £5bn-plus government-to-government deal whereby British Aerospace will supply the Kingdom with a military aviation package will take place in Riyadh on Sunday.

But identification of suitable joint venture projects and attracting UK capital is expected to prove difficult. They must involve high technology and be economically viable as well as having—if possible—export potential.

The UK team, led by Mr Colin Chandler, head of the Defence Export Services Organisation, will be confronted by a formidable presence in the person of Prince Fahd bin Abdullah, the Assistant Minister of Defence, the other co-chairman of the "off-set supervisory commission" and a former controller of operations for the Royal Saudi Air Force.

Its formation was agreed upon during the mid-January visit to the Kingdom by Mr Paul Channon, UK Secretary of State for Trade and Industry.

The two governments are said to have reached an understanding that the UK would encourage British industry to participate in joint ventures in Saudi Arabia in the context of the Kingdom's development plans. But no binding commitment was involved in the agreement concluded in February last year.

In that respect it differed from the firm commitment made by the consortium led by Boeing of the US when early in 1985 it won the main $1.18bn main contract for the command, control and communications defence project known as Peace Shield. That and other related contracts involved a firm commitment to reinvest in Saudi high-technology industry 35 per cent of the value of contracts wtihin a 10-year period. By the end of last year five projects worth about $350m had been agreed.

Paradoxically, one beneficiary will be Racal Radio Group of the UK to supply the licencing technology and other support services for the local manufacture of tactical radio equipment. The company has estimated that its exports in connection with the Boeing-led joint venture might be worth $300m-$500m over 10 years. The Dowty Group is a shareholder in another project related to Peace Shield.

The British fear is that the contractors working on Peace Shield have identified and agreed to implement the most obvious high-tech projects of the kind lkiely to appear to the Saudi Government and local investors.

Britain sees weapon sales opportunities in S Korea

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE UK is to launch a defence sales drive to South Korea which plans to diversify procurement away from the US.

Businessmen believe that sales of defence and high-technology products to South Korea could run into several hundreds of million pounds over the next few years. This would more than double exports to that market which reached £265m in the first 11 months of last year.

The UK emerged last year as one of the world's top three arms exporters.

"We see real opportunities. For Plessey alone I would place a value on that of over £100m within the next five years," said Mr Alan Cormack, director of sales for Plessey Electronics Systems.

Mr Campbell Dunford, trade finance director of Midland Bank, said South Korea had already made several trial purchases of high-technology goods, communications and defence equipment. "We believe that these are the precursors to discussions on much larger strategic contracts."

Mr Geoffrey Pattie, Minister for Information Technology, is to accompany a high-level information technology trade mission which leaves for Seoul today. Though defence procurement is not officially on the agenda it is expected to be discussed on the sidelines as senior Ministry of Defence officials will be visiting Seoul separately at the same time.

South Korea has for some time wanted to switch its defence and high technology procurement towards Europe as part of its efforts to reduce its dependence on the US and Japan.

In particular the US is deeply embodied in Korea's defence procurement through the two countries' joint defence force. "There is now a desire to break free of that. They're determined to do it themselves," said Mr Cormack. "They recognise that our technology is superior to that of the US in quite a number of significant areas."

US officials press Japan

BY CARLA RAPOPORT IN TOKYO

TOP US government officials yesterday renewed their requests that Japan open its markets to more US products in order to reduce protectionist sentiment in the US.

Speaking after two days of Japan-US subcabinet level trade talks, Mr Allen Wallis, Undersecretary of State for Economic Affairs, said yesterday: "Our central message to Japan is that while we have made progress, much more needs to be done."

The Americans encouraged the Japanese to stimulate its domestic economy, such as expanding consumer credit, boosting the housing market and steering away from its policy of fiscal austerity.

On the sensitive issue of semiconductor trade, Mr Wallis repeated that the US-Japan semiconductor trade pact signed last summer was not living up to expectations. Mr Wallis, however, did not repeat threats that the US would abandon the pact by the end of the month if the Japanese did not take satisfactory action against alleged dumping of chips in third countries.

Specifically, Mr Wallis called on the Japanese to increase imports of semiconductors, supercomputers, agricultural products, mobile telephones and steam coal.

Philips to make digital tape system in Japan

By Laura Raun in Amsterdam

PHILIPS, the Dutch electronics giant, plans to make its digital audio tape (Dat) recorder in Japan using local components when the new high quality sound system is introduced—probably around the end of the year.

Marantz—the Japanese hi-fi company controlled by Philips, will manufacture the Dat recorders to take advantage of cheaper components and local know-how available there. The recorders will be sold in Japan and Europe and eventually may be made in Europe as well.

Japanese electronics companies were the first in the world to introduce Dat recorders this week and Philips says it will follow when the market demands.

Marantz is owned 50 per cent by Philips and 50 per cent by public shareholders through a listing on the Tokyo stock exchange.

Philips refused to join the Japanese in their early launch of Dat recorders because of fears of undermining the buoyant compact disc player market and depriving the music industry — including its Polygram subsidiary — of royalties through widespread recording of compact discs.

East-West companies meet wary response

Leslie Colitt reports on the patchy record of Soviet joint ventures

A STAMPEDE by Soviet women this week to obtain a West German publisher's Russian language fashion magazine approved by Mrs Raisa Gorbachev, wife of the Soviet leader, has highlighted the role of West German companies seeking to establish joint ventures with the Soviet Union.

The publisher, Aenne Burda Verlag, said it hopes to form a joint venture company with Moscow within the next few months. It would involve investments of about DM 30m (£10.4m) with the main hard currency revenues coming from advertisements by Western companies in Burda's Russian fashion publications.

West German manufacturers, including those trading with Moscow, however, are in no rush to set up joint ventures with Soviet partners. In part, this wariness is the result of the patchy record of joint ventures in Eastern Europe since Romania became the first Comecon country to permit them in 1971.

More important, in recent talks with senior Soviet Union officials, West German executives failed to get the answers they wanted to some important questions about the mixed companies.

One major obstacle in the Soviet Union, according to the West Germans, is that Soviet economic planners, much like the Chinese, regard joint ventures mainly as a vehicle to boost their sagging intake of Western currencies. Mr Mikhail Gorbachev, the Soviet leader, has put great emphasis on increasing sophisticated industrial exports to the West.

Mr Henning Aretz, of the influential Ost-Ausschuss (East Trade Committee), of German industry in Cologne, said the West Germans told Soviet officials that joint ventures would not be able to make up for a lack of exportable Soviet products to the West.

"We welcome Soviet readiness to establish joint ventures but can foresee no great economic importance for them," he said after his return from Moscow.

Mr Aretz noted that if the Soviets refused to allow repatriation of rouble profits in the form of hard currency, German industrialists might be tempted to simply increase the price of their deliveries to the joint venture, which would cost Moscow more hard currency instead of less.

While the Soviet Union wants to maximise its hard currency earnings by selling the products of joint ventures to the West, Western companies are naturally more interested in tapping the Soviet market. They argue that the greatest contribution would be to make goods for the Soviet market which were previously imported from the West, which would result in considerable savings for Moscow of scarce foreign exchange.

In recent months, Mr Aretz said, Soviet officials have shown a growing understanding of the potential importance of import substitution. But it would be difficult to find a formula which links the savings in imports to the profits Western joint venture partners receive.

If the Soviet Union can establish joint ventures with anyone it will be with West German companies, who take a longer view of such undertakings than most of the competition. The West Germans are the leading partners in joint ventures in Hungary, where 22 of the more than 70 joint companies are with West Germans, followed by the Austrians.

The largest joint venture in Hungary, with a capitalisation of DM 20m (£6.9m), was recently established by Standard Elektrik Lorenz (SEL), a West German subsidiary of ITT, and Skala-Co-op, Hungary's innovative retail chain. Skala holds 65 per cent of the shares in their joint company, Selectronic GMBH, which will asemble colour televisions and video recorders.

A UK company, Walton Computer Technics and Videoton, have a joint venture producing computer printers which are also exported to Czechoslovakia and Yugoslavia. It is precisely this type of penetration of the Comecon market which is sought by Western companies.

Ironically Romania, which pioneered East European joint ventures, has lagged far behind in recent years. Only five of the eight mixed enterprises which existed in Romania with Western companies in the 1970s have survived; although the first of them, Resita Rank, was set up with a West German company to manufacture gear systems, no other German company has followed suit.

Rom—Control—Data, established with the US computer company Control Data, is said by the Americans to have had a turnover of $14m last year. Labour costs, however, were described by the US executive as being as high in Romania as in America.

Poland became the fourth Comecon country to enact legislation on joint ventures last year. But with its chronic payments problems, Poland is regarded by potential Western partners as an unlikely site for long-term investment.

An extremely candid report on joint ventures in the government newspaper Polityka noted that prospective Western investors were afraid that Polish partners would bring "51 per cent of their own difficulties" into the joint ventures.

Indonesia yesterday signed a $30m countertrade deal with Bulgaria, an agreement which highlights the slow but marked increase in trade with Comecon countries, John Murray Brown reports from Jakarta.

The deal which follows a trade protocol signed in November coincides with a visit to Jakarta this week of Mr Eduard Shevardnadze, the Soviet Foreign Minister. A high ranking East German delegation is expected next week.

Mr Shevardnadze's three days of talks are likely to include ways to improve trade links, wtih this huge non-aligned Asian country. In particular the Soviet Union would like to see a reduction of the Indonesian trade surplus. Countertrade is seen as a possible option. Indonesia for its part is out to boost non-oil exports at a time of a falling petroleum earnings, normally its main source of foreign exchange.

Soviet exports to Indonesia have lagged behind those of its Comecon partners, particularly Poland, Hungary and Czechoslovakia. In 1985 Soviet exports, largely fertilisers, were $3.9m. However imports from Indonesia totalled $77.9m, mostly agricultural commodities.

Gemayel aides open talks on Syria peace plan

LEBANESE President Mr Amin Gemayel's closest aides began negotiations yesterday with Syrian Foreign Minister Mr Farouk al-Sharaa on a Damascus-proposed plan for a political settlement to Lebanon's 11-year-old civil war, AP reports from Damascus.

The delegation is believed to be carrying Mr Gemayel's response to a peace package worked out over the weekend with the Christian President's Moslem rivals after a large-scale Syrian military intervention in Moslem West Beirut.

Sources close to the talks said the Lebanese team's discussions in Damascus would be "decisive."

"The presidential emissaries are due to hold talks with Syrian officials on a blueprint for national reconciliation," a Gemayel spokesman said before the team left Beirut.

The spokesman, who declined to be named, would not say whether Mr Gemayel had accepted the proposals.

The reform package has not been officially disclosed. But Lebanese press reports have said it hinges on three major political reforms.

A part of the reform would strip Lebanon's president, traditionally a Maronite Catholic, of the power to veto cabinet decisions and name prime ministers, who are usually selected from the Sunni Moslem community.

Another reform would extend the term of the parliament speaker, traditionally a Shia Moslem, from two to four years along with the term of the 99-seat unicameral parliament.

A source said that if some agreement was reached, a summit meeting between Mr Gemayel and Syrian President Hafez Assad could be held as early as this weekend.

The two leaders have not met since December 1985, when Mr Gemayel scuttled a similar Syrian-backed agreement signed by his Moslem and Christian rivals.

Mr Gemayel is under pressure from the Lebanese forces, Lebanon's most powerful Christian militia, not to give too many concessions to the Moslem majority.

Leaders of the Lebanese forces have repeatedly said they will veto any amendment that undercuts the authority of the presidency or weakens the Christians. The Lebanese forces also have strongly denounced the Syrian military intervention in West Beirut last month.

Some 7,500 Syrian commandos, backed by 100 tanks and many plainclothes intelligence operatives, entered Beirut after a week of militia battles that killed 300 people and left 1,300 wounded. The Syrians moved in response to appeals by Lebanese Moslem leaders.

A synod of 10 Maronite bishops, chaired by Patriarch Nasrallah Sfeir, issued a statement on Wednesday urging the Syrian army to prevent Lebanon being broken up into sectarian cantons and restore peace.

In 1976, Syria dispatched 25,000 troops to Lebanon under an Arab League mandate in an effort to stop the civil war.

Dutch retail company withdraws from S Africa

A DUTCH trading company targeted by anti-apartheid activists, yesterday announced that it had sold its South African operations, AP reports from Johannesburg.

SHV became the first Dutch company to join scores of US and other western companies in withdrawing from South Africa.

SHV said in late January that it was negotiating to sell its chain of Makro department stores. Yesterday's announcement followed a series of anti-apartheid arson attacks on the company's chain stores in the Netherlands that caused an estimated $70m (£46m) in damage.

The company said it had sold its 66 per cent shareholding in Makro Stores to Wooltru, a major South African textile and food retailer

Mr Tony Williamson, vice chairman and chief executive of Wooltru, confirmed the sale and said the purchase price of the majority stockholding in Makro amounted to R43.3m.

Israeli nuclear leak trial postponed

By Our Jerusalem Correspondent

THE TRIAL of Mr Mordechai Vanunu, the Israeli dissident, due to commence on Sunday, has been postponed for two weeks while awaiting a Supreme Court ruling on whether or not the case should be heard behind closed doors.

Mr Vanunu, who told a British newspaper last October that Israel had developed a highly sophisticated nuclear weapons capacity, has been charged with aggravated espionage and treason, offences which could carry the death penalty.

At a press conference in Jerusalem on Wednesday, relatives of the former nuclear technician—since his disclosures a public hate figure rivalling that of Mr John Demjanjuk, the accused Nazi war criminal, for most Israelis—called for an open trial.

Insisting that he had acted out of humanitarian and ideological, rather than financial, motives, they said only a public hearing would ensure that doubts could be cleared up.

The defence is appealing against an affidavit from the Defence Ministry arguing that as national security was involved the trial should be conducted in secret.

Secret trials about which all details, including their existence, are barred from publication—even after sentence has been passed—are relatively frequent in Israel, usually where espionage is involved.

In this context, perhaps the 31-year-old dissident spy should count himself fortunate. According to his brother, Mr Meir Vanunu, the family was told by the Shin Bet, Israel's internal security force: "think yourselves lucky. We could have killed him."

Mr Vanunu was spirited back to Israel in a lengthy combined naval and land operation, after apparently being abducted by Mossad at Rome airport. At the time the highest levels of the Israeli Government were acutely concerned to discover the extent of the damage he may have caused to Israeli security.

Much of that concern has now apparently been alleviated.

Peter Blackburn reports on the African state's fortunes since gaining independence

Sombre mood as Ghana celebrates 30 years

THIRTY YEARS ago Ghana was an African beacon. The first country south of the Sahara to win independence, it symbolised the hopes of millions of Africans across the continent who were seeking an end to the colonial rule of Britain and other European powers.

Today Ghana marks its independence anniversary in a sombre mood which reflects the state of a continent which has successfully severed the colonial ties, but now battles against drought and famine, Aids and civil wars, corruption and mismanagement, deteriorating terms of trade and a crippling external debt.

It is ironic that Ghana today is a very different example on the continent: an example of how a government, with the advice and financial support of the International Monetary Fund and the World Bank, might reverse years of decline.

Despite some signs of revival, the centre of Accra still resembles a waste land, while sea front monuments such as the huge Black Star Square stand as a souvenir of misallocated resources and grandiose ambitions of the early Sixties.

Many Ghanaians remain unconvinced about reports of recovery in spite of reminders from Flt Lt Jerry Rawlings, the charismatic chairman of Ghana's Provisional National Defence Council, of the economic chaos and subsequent improvement since he returned to power five years ago in a military coup. The prices of most basic goods are still out of reach, they point out.

When Ghana gained independence on March 6, 1975, under President Kwame Nkrumah, it was the richest and most developed of Britain's African colonies. But it quickly slipped down a long spiral of economic

Flt. Lt. Jerry Rawlings

and political decline marked by corruption, inefficiency, misguided policies and military coups.

A grossly overvalued exchange rate penalised the country's cocoa farmers and other producers of wealth, while encouraging traders to import increasing amounts. To finance the spiralling balance of payments deficit, the Government printed mountains of cedis which became progressively valueless.

President Nkrumah was overthrown by a military coup in 1967 and his policy of Pan-African socialism abandoned, but the situation continued to deteriorate during the 1970s under a succession of military rulers.

A bloody purge and a return to civilian rule following Mr Rawlings' "first coming" in June 1979 failed to stop the rot.

As a result his return two-and-a-half years later was termed a "revolution" intended to "change the character and face of the nation."

The main aims were to rescue the economy, curb the abuse of power and corruption, redistribute wealth and encourage popular participation in government.

But the new radical regime was forced by the country's effective bankruptcy to adopt a policy of economic pragmatism and turn to the IMF and World Bank for assistance.

Over the past three-and-a-half years it has implemented one of the most radical economic reform programmes in Africa. In a continent where IMF/World Bank successes are rare it is seen as an important test case.

After three successive years of economic growth the country has moved from rehabilitation and crisis management towards structural adjustment and sustained growth.

Three years ago the economy was in deep crisis. Visitors to Accra stayed in candlelit hotels as there was electricity only every other day. Bathtubs were filled with stagnant water as a precaution against frequent water cuts. There was virtually nothing to eat in the dining room and visitors often brought their own provisions of tinned sardines and Nescafe. Few cars were on the streets due to petrol shortages and most telephones did not work.

Visitors now have an easier time, though lampbulbs are still scarce in bedrooms and butter and marmalade are carefully rationed at the breakfast table of Accra's main state-owned Ambassador Hotel.

Among the most important improvements since the reform programme was launched in 1983 are:

- A more realistic exchange rate: the Cedi has been devalued by 98 per cent since 1983.
- Increased production incentives: cocoa producer prices have been increased sevenfold during the past four years and output has risen 35 per cent.
- Three years of real growth: 5.3 per cent in 1986, 5.1 per cent in 1985 and 8.6 per cent in 1984 compared with an average 5 per cent a year decline between 1975-83.
- Sharp cut in inflation from 123 per cent in 1983 to 10 per cent in 1985, though it climbed to 23 per cent in 1986.
- Growth in exports: Overall exports are estimated at $750m in 1986 against $440m in 1983.
- Industry is now estimated to be operating at nearly 50 per cent capacity against 20 per cent in 1983 as a result of improved supplies of raw materials.

In last week's 1987 budget the Government raised the daily minimum wage by 24 per cent to cedis 112 (47p). The increase matched last year's official inflation rate and should fall within IMF guidelines.

The government also abolished the first tier exchange rate of cedis 90 to the dollar applicable to imports of oil and essential drugs, official debt service and cocoa exports. All transactions will now be traded at the rate fixed at weekly foreign exchange auctions—currently cedis 150 to the dollar.

The most immediate effect is an increase in transport costs, which in turn is expected to push up food and other prices and boost inflation.

As a result the minimum wage is likely to seem even more inadequate. Despite a ninefold increase over the past four years, the country's powerful trades unions complain that it is still insufficient to feed a worker or buy a bottle of beer.

However, Mr P. V. Obeng, chairman of the Committee of Secretaries (Cabinet), has stressed the Government's determination to continue the adjustment policies. But he also urged the IMF/World Bank and other donors to show a greater awareness of the "social consequences" of adjustment and willingness to "match the pace of reforms with the mood of the people."

A lot remains to be done before Ghanaians recover their real incomes of the Sixties. But for the time being Ghana continues to enjoy unaccustomed stability and prospects of economic improvement.

"The last five years have not been easy. But I believe we have saved ourselves from the disintegration and demoralisation which were overrunning us. We have made our mistakes and have learnt by them," Chairman Rawlings told the nation.

Communist warning as Shevardnadze visits Jakarta

BY JOHN MURRAY BROWN IN JAKARTA

A SENIOR Indonesian military official has warned against Communist infiltration of the country's armed forces, in the run up to April's national elections. Major General Setijana's remarks coincide with the arrival in Jakarta yesterday of Mr Eduard Shevardnadze the Soviet Foreign Minister."

Indonesia's official national news agency Antara quoted gen. Setijana as warning that Communists might topple the new order regime of President Suharto. They had infiltrated whole layers of society including intellectual groups and the armed forces, he said.

Diplomats expressed some surprise at the timing of the general's remarks. Mr Shevardnadze yesterday became the first Soviet Foreign Minister to visit Indonesia in 27 years.

Yet for all its historical significance his three-day trip is thought unlikely to change the strategic foreign-policy alignment of this staunchly anti-communist nation of over 150m people.

In a speech at Vladivostock last July, Mr Mikhail Gorbachev, the Soviet leader, pledged to improve ties in the region, but Jakarta says it is still awaiting signs of real change from Moscow. In particular, Indonesia, with its partners in the Association of Southeast Asian Nations (Asean) is concerned at the Soviet Union's continued support for Vietnam's occupation of its neighbour, Kampuchea.

Dr Mochtar Kusumaatmadja, Indonesia's Foreign Minister, who has often acted as Asean's special envoy to Vietnam, has long made the resolution of the Kampuchean question a prerequisite for better relations with Moscow. The US-educated Dr Mochtar this week appeared keen to play down the significance of Mr Shevardnadze's visit.

Earlier suggestions of a Soviet-Indian plan to resolve the stalemate, which followed a visit this week to Jakarta by Mr Natwar Singh, the Indian minister of state for external affairs, have been largely discounted.

India is one of the few countries outside the Soviet bloc to recognise the Vietnamese-backed Heng Samrin regime in Kampuchea.

"Don't expect any miracles, Afghanistan is now the Soviet priority. They will get that done first and wait for the response," said one Asean diplomat.

With little in the offing on Kampuchea, diplomats expect the three-day talks to concentrate on bilateral issues, in particular efforts to improve trade links and south Pacific security.

The Soviets may be keen to gauge what is seen by some as a marked shift in Indonesian policy. This was signalled last December with Indonesia's support at the UN for an Australian-backed motion calling for the independence of New Caledonia, the troubled French Pacific island.

Indonesia has recently concluded a treaty of friendship with its neighbour Papua New Guinea, a country pursuing economic ties with the Soviet Union. Indonesia has also backed Soviet calls for a nuclear free zone in the region, a policy over which Asean remains divided.

Of all the Asean group, which comprises Indonesia, Thailand, Singapore, Malaysia, Brunei and the Philippines, Indonesia is seen as the least hostile to Soviet overtures. But the history of the New order regime means it is unlikely to embark on a major shift towards the Soviet bloc.

President Suharto's virulent anti-communism can be traced to the abortive coup of 1965, which brought him to power and which officially is still blamed on the Indonesian communist party.

Company Notices

NOTICE

TO THE HOLDERS OF 5% DEBENTURES 1978-1987 OF THE DEAD SEA WORKS LIMITED

Notice is hereby given that on the 31st day of March 1987 Group 7 of the above debentures will be redeemed, together with interest. Payment will be made to holders of bearer certificates of this group by the company against presentation of the certificate to Bank Leumi Le-Israel B.M., P.O. Box 2, Tel-Aviv 61000, Israel.

Payment will be made to holders of Registered Certificates of this group by the company upon it's receipt of the Certificate(s) at P.O. Box 29452, Tel-Aviv 61293, Israel.

Bank Leumi Le-Israel Trust Co. Ltd. as Trustees of Dead Sea Works Ltd.

bank leumi בנק לאומי

Kingdom of Denmark

7¾% 1973/1988 FF 100,000,000

On February 20, 1987, Bonds for the amount of FF 21,000,000 have been drawn for redemption in the presence of a Notary Public.

The Bonds will be redeemable coupon due April 15, 1988 attached on and after April 15, 1987.

The drawn Bonds are those, **NOT YET PREVIOUSLY REDEEMED**, included in the ranges beginning:

at 1 up to 729 incl.
and at 16395 up to 20000 incl.

Amount outstanding: FF 21,000,000

Outstanding previously drawn Bonds:

790	803	836
848	877 to 879 incl.	887 to 904 incl.
906 to 908 incl.	967	1008 to 1017 incl.
1031 to 1034 incl.	1089 to 1102 incl.	1110
1118	1129 and 1130	1161 and 1162
1164	1167	1171 to 1183 incl.
1186 to 1189 incl.	1192 to 1195 incl.	1201 and 1202
1231	1258	1266 to 1273 incl.
1743 to 1746 incl.	1784 and 1785	1849
1971 to 1973 incl.	2003 and 2004	2041
2119	2159 to 2162 incl.	2172 to 2177 incl.
2261	2273	2282 to 2288 incl.
2294 to 2298 incl.	2334 and 2335	2350
2365	2376 to 2386 incl.	2395
2420 and 2421	2434 to 2436 incl.	2478 and 2479
2512 and 2513	2521 and 2522	2536
2543	2584	2650 and 2651
2664 and 2665	2670 to 2678 incl.	2681 to 2683 incl.
2686	2688 to 2704 incl.	2773 to 2777 incl.
2780 to 2784 incl.	2799 to 2804 incl.	2809
2843	2861 to 2863 incl.	2875 to 2890 incl.
2919 and 2920	2922 to 2925 incl.	2939
2949 to 2956 incl.	2959 and 2960	2979 and 2980
2994 to 2999 incl.	3002	3013 to 3017 incl.
3030 to 3037 incl.	3050	3060
3086 to 3088 incl.	3171 to 3173 incl.	3546
3560	3571	3604 to 3606 incl.
3755 to 3759 incl.	3841 to 3847 incl.	3853 to 3858 incl.
3871 and 3872	3893	3916
4265 and 4266	4807 to 4812 incl.	4900
5071 to 5080 incl.	5119 to 5123 incl.	5138
5471 and 5472	5525 to 5532 incl.	5628 and 5629
5635 to 5640 incl.	5643 and 5644	5656 to 5661 incl.
5900 to 5930 incl.	5941 to 5943 incl.	5961 to 5970 incl.
5990 to 5995 incl.	6001 to 6006 incl.	6011
6016 to 6019 incl.	6031 and 6032	6042
6067	6088 and 6089	6093 to 6097 incl.
6101 to 6103 incl.	6109 to 6114 incl.	6169
6189 and 6190	6268 to 6271 incl.	6328
6662 and 6663	6705	6864 to 6866 incl.
6926	6945 to 6950 incl.	7020
7038 to 7041 incl.	7054 to 7061 incl.	7319 and 7320
7432		

Luxembourg, March 6, 1987

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

FIDELITY AMERICAN ASSETS N.V.

Registered Office: Schottegatweg Oost, Salinja
Curaçao, Netherlands Antilles

Notice of Annual General Assembly of Shareholders

Please take notice that the Annual General Assembly of Shareholders of Fidelity American Assets N.V. (the "Corporation") will take place at 2:00 p.m. at Schottegatweg Oost, Salinja, Curaçao, Netherland Antilles, on March 17, 1987.

The following matters are on the agenda for this Meeting:

1. Report of the Management.
2. Election of seven Managing Directors.
   The Chairman of the Management proposes the re-election of the following seven existing Managing Directors:
   Edward C. Johnson 3d — Hisashi Kurokawa
   William L. Byrnes — John M. S. Patton
   Charles A. Fraser — H.F. Van den Hoven
   Amaco Holdings & Trust Company N.V.
3. Approval of the Balance Sheet and Profit and Loss Statement for the fiscal year ended November 30, 1986.
4. Ratification of actions taken by the Managing Directors since the last Annual Assembly of Shareholders, including payment of an interim dividend in respect of the fiscal year ended November 30, 1986 and authorization of the Managing Directors to declare an additional dividend in respect of fiscal 1986 if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law.
5. Ratification of actions taken by the Investment Manager since the last Annual General Assembly of Shareholders.
6. Such other business as may properly come before the Meeting.

A form of proxy may be obtained from the following institutions:

The Bank of Bermuda Limited
Hamilton, Bermuda

Kredietbank S.A. Luxembourgeoise
43, Boulevard Royal, Luxembourg

Holders of registered shares may vote by proxy by mailing a form of proxy obtained from the Corporation's Principal Office in Pembroke, Bermuda, or from the Banks listed above, to the Corporation at the following address:

Fidelity American Assets N.V.
c/o Amaco Holdings & Trust Company N.V.
P.O. Box 305
Curaçao
Netherlands Antilles

Holders of bearer shares may vote by proxy by mailing a form of proxy and certificate of deposit for their shares obtained and filed in the manner described in the preceding sentence. Alternatively, holders of bearer shares wishing to exercise their rights personally at the Meeting may deposit their shares, or a certificate of deposit therefor, with the Corporation at Schottegatweg Oost, Salinja, Curaçao, Netherlands Antilles, against receipt therefor, which receipt will entitle said bearer shareholders to exercise such rights.

All proxies (and certificates of deposit issued to bearer shareholders) must be received by the Corporation not later than 1:00 p.m. on March 17, 1987, in order to be used at the Meeting.

By order of the Management
Charles T.M. Collis
Secretary

RAND MINES
HARMONY GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)
Company Registration No. 05/38232/06

DIVIDEND DECLARATION

Notice is hereby given that dividend No. 61 of 100 cents per share has been declared in South African currency, as a final dividend in respect of the year ending 30 June, 1987, payable to members registered at the close of business on 27 March, 1987. The register of members will be closed from 28 March to 6 April, 1987 inclusive. Dividend warrants will be posted on or about 30 April, 1987.

The rate of exchange at which the dividend will be converted into United Kingdom currency for payment by the United Kingdom registrars, transfer and paying agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the first business day after 28 March, 1987 on which foreign currency dealings are transacted.

Where applicable, South African non-resident shareholders' tax of 15% will be deducted from the dividend.

The full conditions of payment of this dividend may be inspected at or obtained from the Johannesburg or United Kingdom offices of the company.

By order of the Board
RAND MINES (MINING & SERVICES) LIMITED
Secretaries
per N. H. R. Pitts

Registered Office:
15th Floor, The Corner House
63 Fox Street
Johannesburg 2001
(PO Box 62370, Marshalltown 2107)

Secretaries in the United Kingdom:
Charter Consolidated Services Limited
40 Holborn Viaduct
London EC1P 1AJ

United Kingdom Registrars, Transfer and Paying Agents:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

5 March 1987

A member of the Barlow Rand Group

Legal Notice

ADAM & COMPANY PUBLIC LIMITED COMPANY
Registered Office:
22 Charlotte Square, Edinburgh EH2 4DF
Registered in Scotland No. 83026

NOTICES OF COURT MEETINGS IN CONNECTION WITH A SCHEME OF ARRANGEMENT UNDER SECTION 425 OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that by an Interlocutor dated 3rd March 1987 the Court of Session has directed that separate meetings of the holders of the Founders' and Ordinary Shares of Adam & Company PLC be convened for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between Adam & Company PLC and the holders of each of such classes of shares.

The meetings of holders of Founders' and Ordinary Shares will be held at the Chamber of Commerce, 3 Randolph Crescent, Edinburgh, on 30th March 1987, at 11.00 am and 11.15 am respectively. The meeting of the holders of Ordinary shares will be held at 22 Charlotte Square, Edinburgh on 30th March 1987 at ...

Copies of the said Scheme of Arrangement and of the explanatory statement required to be furnished pursuant to Section 426 of the Companies Act 1985 can be obtained free of charge by shareholders of Adam & Company PLC from the registered office of the Company ... 16 Hope Street, Charlotte Square, Edinburgh EH2 4DD.

Exhibitions

AGNEW'S

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Monday-Friday 9.30-5.30
Thursday until 6.30

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FINANCIAL TIMES

The following Financial Times Surveys are due to be published next week:

Monday, 9th March
Diesel Engines

Thursday, 12th March
Portuguese Banking Finance and Insurance

Thursday, 12th March
Watford and West Herts

Friday, 13th March
Sheffield

The date of Financial Times Surveys may be changed at short notice

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Power cuts forecast if new plants are blocked

BY MAURICE SAMUELSON

BRITAIN will suffer electricity blackouts in the 1990s if the Treasury succeeds in blocking a series of orders for new power stations by the Central Electricity Generating Board, it was claimed yesterday.

Mr Ron Campbell, chairman and managing director of Babcock Power, one of Britain's leading power plant manufacturers, was commenting on a report that the Treasury would agree only grudgingly to the Sizewell pressurised water reactor and that it opposed tentative plans for a further eight or nine power stations by the end of the century.

Mr Campbell said that a serious new delay in orders would have a "very bad effect" on the power plant industry, starved for many years of new UK orders. A hasty rush of belated orders to meet electricity growth "would create a bloody great bow wave, that the power plant industry would not be able to cope with."

However, he believed the Treasury could not sustain its case. "We do our own sums on forthcoming electricity demand, and they show that unless the Treasury has a magic wand to wave the lights will simply go out." Northern Engineering Industries, one of Britain's other big power plant suppliers, said: "We cannot see how the need for new plant can be ignored."

According to Babcock, the CEGB, which currently has about 50,000 MegaWatts of available capacity, would need an additional 12,500 MW of replacement new capacity merely to meet current demand levels and 20,000 MW – equal to 10 2,000 MW stations – if there is 1 per cent growth.

Officials at the Electricity Council and the CEGB refused to comment on the report, in yesterday's Financial Times, describing it as "speculative". Orders for new power stations could, in any case, only be clarified once the position on Sizewell was settled, they added.

But there was a strong reaction at British Coal which has been actively lobbying for the inclusion of three or four coal-fired plants in the new building programme.

If these hopes were dashed by Treasury intervention, officials said, it would have serious implications for the coal industry, including Midlands coalfields where defiance of the 1984 miners' strike had helped prevent power cuts.

The GEGB is currently examining five possible sites for new coal-fired power stations. One of those, West Burton in the Midlands would be suplied entirely from pits manned by members of the breakaway Union of Democratic Mineworkers.

Companies to end price cartels

BY DAVID CHURCHILL

OVER 200 companies involved in price-fixing cartels for the supply of road-making materials to local authorities consented in the Restrictive Practices Court to end their agreements.

The companies, which included some subsidiaries of major operators in the construction industry, had been taken to the court by the Office of Fair Trading.

The OFT has been investigating price-fixing agreements in the supply of road materials for many years and has previously taken a number of companies to court.

Agreements involved some of the companies deciding prices to be charged locally as well as rigging tenders. Some companies also agreed between themselves a "preferred tenderer" who would put in the lowest bid.

Under the 1976 Restrictive Trade Practices Act, companies are allowed to enter into price-fixing and other restrictive agreements so long as details of these are entered in time on the Register of Restrictive Practices in London. It is then up to the OFT to challenge the agreements in the court.

However, if details are not furnished in time or at all, the agreement is automatically void and undertakings have to be given to the court by the companies involved not to continue with such agreements.

In the hearing before Mr Justice Warner, the companies involved promised not to enforce the restrictive agreements again. A number of companies also undertook not to operate any other agreement which had not previously been registered.

Sir Gordon Borrie, Director-general of Fair Trading, said that "these latest cases in the long-running saga of collusive practices in the supply of road-making materials should be a salutary reminder to industry that my office will take action when it uncovers evidence of restrictive agreements, details of which have not been properly furnished to me."

Wales to press for tourism autonomy

BY ANTHONY MORETON, WELSH CORRESPONDENT

WALES IS seeking to come into line with the rest of Britain by having greater control over its tourist affairs.

Mr Prys Edwards, chairman of the Wales Tourist Board, said in Carfiff yesterday that it had asked the Government for statutory powers to allow it to promote the country overseas.

If the Government accepts its request, the board would be able to concentrate its budget on areas of the world thought to be most conductive to attracting foreign tourists. At present all overseas spending by Wales has to be undertaken in conjunction with the British Tourist Authority.

Wales has about 4.5 per cent of all the overseas visitors to Britain, half the number that go to Scotland.

The move follows a review by the board of its marketing. At the moment, Wales is the only part of Britain that cannot undertake certain functions without seeking approval from the British Tourist Authority.

The Northern Ireland tourist authority has been able to go its own way since 1949, and all the English boards together with Scotland, which received its statutory power in 1984, also have their independence.

The Wales Tourist Board is, ironically, also the only semi-public body within Wales that cannot fund overseas promotions. Both Mid-Wales Development and the Welsh Development Agency have the ability to

Mr Paul Loveluck, the board's chief executive, has just returned from a visit to the US to help promote a "Wales, Land of Princes" exhibition. He talked to the New York State Museum in Albany, the New York Public Library in New York itself, and the Smithsonian Institution in Washington DC. All were reported to have shown interest. The trip had to be financed outside the board.

While in New York, Mr Loveluck also arranged through a leading travel agency to set up a Wales Reservation Centre.

Recipe for jobs in depressed regions

By Janet Bush

A MAJOR improvement in employment in Britain's most depressed regions is dependent on a strong revival of the national economy, according to a study published today by the Employment Institute.

The study argues that the substantial widening of regional unemployment disparities during the past decade was not so much caused by the decline of regional policy as by the plunge of Britain's economy into its most serious slump since the 1930s.

During the recession of the 1980s, unemployment in the North increased by 8.5 percentage points (from 10.4 per cent to 18.9 per cent) while in the South-East it increased by 5.7 percentage points (from 4.2 per cent to 9.9 per cent).

The study rejects recent government proposals to encourage regional pay variations, arguing that this type of "market" solution could actually make things worse by cutting the demand for local goods and services in depressed areas.

Other market solutions such as encouraging labour migration could also be counter-productive. Those who move tend to be the most able and enterprising and encouraging migration could worsen the long-term economic prospects of the high unemployment areas as the most productive workers go south.

The first priority was to raise the national rate of output growth which would bring down the unemployment rate and reduce regional disparities at one stroke.

However, general expansion would not in itself eliminate the underlying problems facing the most depressed regions. The most urgent priority was to reverse the decline in regional policy spending which had been in train since the mid-1970s. "Revitalising the economic base of the depressed areas cannot be done without a substantial increase in capital investment," the study's authors say.

The regional impact of all government spending should be estimated to focus attention on the Government's contribution to each region's economic activity.

Regional Policy: The Way Forward by Harvey Armstrong and Jim Taylor. Employment Institute, Southbank House, Black Prince Road, London SE1 7SJ. £2.50

Farm equipment trade balance expands by 16% in year

BY NICK GARNETT

BRITAIN'S positive balance of trade in tractors, other farm machinery and engines for agricultural equipment rose to £253m last year, an increase of more than 16 per cent over 1985.

Exports from the UK fell by 1 per cent to £670m, while imports slid by 9 per cent to £417m, reflecting an overall decline in the world agricultural equipment market, according to figures from the Agricultural Engineers Association.

"At a time of extremely weak markets for farm machinery this export achievement is creditable," said Mr Chris Evans, the association's economist.

British-based producers, helped by currency valuation, actually increased their share of world trade.

Tractors produced in the UK, largely by the three North American manufacturers, Massey-Ferguson (Varity Corporation), Ford and Case International, contributed £370m to the balance of trade. Altogether, 75 per cent of tractor output by value was exported last year.

The main imports and exports that make up the balance-of-trade figures also include secondhand tractors and other machinery.

Exports of secondhand tractors to some markets rose significantly during the past year, and might account for some of the substantial shifts in sales.

For example, sales of tractors to the Netherlands almost doubled from £10.9m to £19.7m. The US, from which much production capacity has been transferred to the UK during the past three years, is by far the largest export market for British tractors, with sales of £91m there in 1986.

The association believes that worldwide demand for agricultural machinery will almost certainly continue to fall this year.

The continuing slide last year forced the major tractor manufacturers in the UK to shed labour or introduce temporary working.

"The recent improvement in the competitiveness of British companies, reinforced by a more realistic exchange rate, allows the confidence that they can continue to increase penetration in world markets," Mr Evans said.

Hurd's warning to the BBC

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

MR DOUGLAS HURD, the Home Secretary, told a conference in London that the BBC would have to be more prudent in choosing which areas of broadcasting it concentrated on when the licence fee was linked to the retail price index next year.

Mr Hurd's comments came within days of similar remarks by Mr Michael Checkland, the new director-general of the BBC. Mr Checkland warned that the BBC would have to review the range of its activities to see whether they were all necessary, and said that the corporation would probably get smaller.

Mr Hurd said what the BBC did and where it decided to stop operating would be up to Mr Checkland and the board of governors. But he added: "The squeeze is justified and is designed to put the BBC in a position where it has to make choices and cannot assume that it can do everything in broadcasting there is to do."

The BBC has made clear that it believes index linking will cause severe financial difficulties because its costs typically rise faster than the inflation rate. In response, Mr Checkland is drawing up a new strategy aimed at reducing costs rather than amputating major services.

This implies some job reductions, and the corporation is also considering the possibility of uniting news and current affairs departments in a single division. It has also emphasised its decision to stay out of cable and satellite broadcasting transmission, while concentrating on supplying programmes to these new media.

Science 'suffers confidence crisis'

By David Fishlock

SCIENCE has brought about its own crisis of confidence by failing to prepare society for the changes it has brought about, Dr Geoffrey Robinson, IBM's technical director and director of software development in Britain, told a scientific conference yesterday in London.

Technical change had once been dictated by scientists, but this was no longer true, Dr Robinson said. Today, technical change was dictated by those who applied technology, such as the banks with information technology and manufacturing companies with computer integrated manufacture.

The skills that were in greatest demand were not those of research scientists, but those for applying technology, especially in complex situations where several traditional activities interacted.

Unravelling complexity was a skill in particularly short supply. He urged academics to tackle the problem of meeting this shortage.

Dr Robinson, who described himself as a "lapsed scientist," predicted still faster change in the next decade than had occurred in the last one. Computing power had been improving at about 20 per cent a year for three decades and this would continue, and even accelerate.

BUSINESS LAW

Softer Bonn line on merger control

In the second of his series on the federal republic, A. H. Hermann finds that the statutory rules on takeovers are now being interpreted with greater regard to actual business behaviour

TAKEOVER BATTLES, a favourite pastime of UK and US companies, are conspicuous by their absence in West Germany. One reason may be that an open show of aggression is unfashionable in that country. Another, no doubt, is that such strife as there is goes on mainly behind the closed doors of banks.

The saga of Guinness/Distillers cannot easily be understood in West Germany, where the securities market is of relatively little importance and shares are held in big packets by institutions.

The present contest between Salzgitter and Mannesmann for control of Sachs is an example: Salzgitter already has 24.9 per cent, Commerzbank has another 35 per cent. Old Mr Sachs's three grand-daughters are selling their 37½ per cent. They agreed to sell to Mannesmann, subject to approval by the Federal Cartel Office (FCO).

If part of the target's equity is dispersed among small shareholders, the bank arranging the merger will try to buy quietly up to 24.9 per cent. It may not succeed because the market is small and a big buyer can hardly go unnoticed.

When 25 per cent is reached, it is necessary to report the acquisition to the FCO and await approval. If the FCO knows all the facts, consideration of the case can be kept confidential; but as soon as it has to make inquiries, publicity drives up the share price. However, there is no Takeover Panel to make concert parties nervous.

The Competition Act defines legal presumptions of market dominance in terms of bigness and market share, and provides numerically defined limits beyond which monopolies and oligopolies are not supposed to go.

These criteria provide the FCO with such a clearly defined power to stop anti-competitive mergers that it seldom needs to make use of it. Many merger projects are abandoned after an informal interview with the head of one of the FCO's quasi-judicial decision-making units. Even so the number of investigations is impressive.

Last year the FCO started 860 investigations and completed 739. Only two resulted in prohibition; 20 notifications were withdrawn, mainly because of FCO objections. In 58 cases the parties abandoned projects cleared by the office. Over the 1973-1986 period, 5,296 completed investigations resulted in only 70 prohibitions and 130 retreats by the parties.

Whereas, in the UK, merger control is based on consideration of public interest, and the Government has the last word in deciding which mergers should be referred to the Monopolies and Mergers Commision and which should be prohibited, the situation is reversed in West Germany.

Competition is the normal criterion, which can be overruled in the public interest by a "ministerial permission." However, in the 1973-1986 period, only five such exemptions were granted and one of these was partial. Even more telling is that out of the 70 prohibited merger projects, the parties applied for a ministerial permission in only 11 cases.

There was much talk about new legislation before the general election, but this seems to have been shelved for another four years at least. An interdepartmental committee is considering possible changes and, in view of both domestic and international pressure, these are likely to be in the direction of deregulation—by withdrawing the exemptions from anti trust laws enjoyed by certain sectors of the economy. The application of competition law to insurance has been achieved by the recent decision of the European Court in the fire insurance cartel case.*

A deregulation of German postal services, urged by the US, would bring communications within the ambit of competition laws. A similar effect would follow the deregulation of airways urged by the UK and the Dutch, and that of the energy sector, urged by France—seeking an outlet for the electric power generated in its nuclear power stations.

All these moves have the support of the European Commission and would contribute to the integration of the EEC internal market.

While the concentration process in mining and manufacturing industry has slowed in the past 10 years, shops are now disappearing fast from street corners and villages, being replaced by supermarket chains and countryside minimarkets—a process completed in the UK in the 1960s and now being corrected to some extent by the opening of small shops by Asian immigrants. The vociferous West German lobby, pressing for legislation on behalf of the retail and food trade, is unlikely to succeed, however.

Protecting competition, not the competitor, seems to be the slogan in Bonn. It is argued that the buying power of chain stores, of which so much has been made in the past, is not so oppressive as the small shops lobby insists. The five biggest retailing enterprises represent no more than 6 per cent to 7 per cent of the entire demand and even when all discounts are considered the chain stores do not seem to be able to achieve more than about 2 per cent extra over the small shops.

Against this background one has to project the recent defeat of the FCO's prohibition of a merger between Metro, the giant cash and carry chain, and Kaufhoff, the chain of department stores. The court said the FCO defined the relevant market too narrowly.

Even without a revision of the Competition Act a substantial change is taking place in the way it is being interpreted. The Chicago school with its greater emphasis on the reality of business behaviour, and the need to subject it to economic rather than formal legal scrutiny when deciding anti-trust cases, is having an effect.

The belief that competition would necessarily and automatically be impeded by structural changes—a merger or the acquisition of one of the competitors by a financially strong outsider—obliged judges to second guess business decisions and foretell the effect of acquisitions on competition.

They are now being weaned from this approach, almost without realising it. The judges of the Supreme Court in Karlsruhe assured me that nothing had changed: they applied the Competition Act, and though they had heard of the Chicago school, it was not something they could take into account. They are contradicted by their own judgments.

In its first fundamental merger decision in 1978, the Supreme Court banned the acquisition of Sachs by GKN on the basis of purely structural considerations: it said GKN, operating in the proximity of the German clutch market, would by its financial muscle increase the market power of Sachs and frighten off smaller competitors or potential new entrants to the market. In a string of judgments since 1978, the courts have moved from purely structural considerations towards an analysis of actual business relations. The judgments stress the possibility of disproving the statutory presumptions by an analysis of actual market behaviour.

The "financial muscle"—and "proximity of the market" argument—the main barriers to conglomerate mergers—seem now to have been abandoned. If attempted today, the acquisition of Sachs by GKN would be approved. That is the measure of the softer attitude now adopted towards mergers: the gradual integration of the world markets is having the same effect on the thinking of antitrusters in West Berlin as it had earlier in Chicago.

German Insurance Assocs v EEC Commission, Case 45/85, judgment 27.1.87. FT Business Law Brief February 1987, FT Business Law column 5.2.87.

Next week: How the way lawyers are paid speeds up the resolution of disputes.

Current account deficit last year revised to £1.1bn

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE CURRENT account of Britain's balance of payments showed a deficit of £1.1bn last year, three times more than previously estimated, the Central Statistical Office (CSO) said yesterday.

The upward adjustment to the deficit, from a figure of £360m published only a week ago and a provisional estimate of £187m made in January, reflects substantial downward revisions to Britain's earnings from its overseas assets.

The new data also cover 1985, resulting in a lower current account surplus in that year than previously thought.

They are likely to prompt independent forecasters to raise their projections of the expected deficit in 1987. Until now those forecasts have been based on the apparent buoyancy of insivisible earnings reflected in the earlier official estimates.

Mr Bill Martin, chief UK economist at City of London securities house Phillips & Drew, said the latest information suggested that the 1987 shortfall would probably be closer to £3bn than the £2.3bn he had previously forecast.

Last week the National Institute for Economic and Social Research halved its forecast of the likely 1987 deficit to £2.6bn. Mr Andrew Brittan, its director, said yesterday that

CURRENT ACCOUNT (£bn)

	1984	1985	1986
Visible trade	−4.4	−2.2	−8.2
Invisible trade	5.7	5.1	7.1
Current balance	1.3	2.9	−1.1

the institute would not now automatically reinstate its earlier forecast, but would have to review the position over the next few months.

The CSO said the surplus on Britain's invisibles account, which includes overseas interest, profits and dividends as well as such items as tourism, totalled £7.1bn in 1986.

That was still substantially higher than the revised figure of £5.1bn in 1985, but well below the £8½bn that the Treasury was assuming late last year.

The changes are embarassing for the CSO because they follow a decision last November to increase the forecast for the invisibles surplus published in the monthly trade figures from £800m to £900m per month.

At that time, the move was seen by Opposition politicians as a Government-inspired attempt to defuse the pressure then for higher interest rates, a view which they say has been confirmed by the subsequent downward revision to £600m.

Cadbury asks for share deals inquiry

By Clive Wolman

CADBURY SCHWEPPES, the soft drinks and confectionery group which has been the subject of continued speculation about possible hostile takeover bids, yesterday asked the Stock Exchange to carry out a formal investigation into dealing in its shares over the last few months.

However, the Stock Exchange has in effect rebuffed the request by referring the matter to the Department of Trade and Industry (DTI).

The request follows the laying of charges 11 days ago of insider dealing in Cadbury-Schweppes shares against Mr Geoffrey Collier. Mr Collier is the former securities chief at Morgan Grenfell, the merchant bank adviser to General Cinema, the US drinks and theatre company, which has built up a potentially hostile 8.5 per cent stake in Cadbury-Schweppes over the last six months.

The Stock Exchange is thought to view the Cadbury-Schweppes request as motivated partly by public relations considerations as well as any fresh suspicions it may have about possibly illegal activity in its shares.

DTI inspectors have already analysed share purchases made in Cadbury-Schweppes during the autumn in considerable detail. The inspectors are continuing their work.

The exchange also fears that a Stock Exchange inquiry might prejudice the trial of Mr Collier, which is likely to place during the summer. That, it said, was why it had decided to refer the matter to the DTI, which is the prosecuting authority.

Even if the Stock Exchange inquiry was allowed to proceed, which is considered unlikely, the investigation would be limited to a further analysis of share transactions and the questioning of Stock Exchange member firms. Any further investigations would have to be referred to the DTI.

Tighter controls to curb fraud and takeovers promised

Peter Riddell looks at Labour's plans for the City of London

A TOUGH statutory regulation of City of London financial markets and a tightening up of company law to make fraud more difficult have been proposed by the Labour Party in a new policy statement.

The document, "Making the City Safe," also argues that "there is an urgent need to bring the present spate of takeovers under control, in order that management can plan for the long term in confidence that they will not be bought out in the short term."

The paper, written by Mr Robin Cook, the party's trade spokesman, argues that "the revelations of recent months demand a considered response. It would be absurd now to persist with a regulatory structure that was devised before we obtained the current evidence of the prevalence of insider dealing and of the abuse of rules on takeovers."

The postscript says that a growing number of City practitioners recognise that public confidence can best be restored through the creation of "a genuinely independent body which is publicly accountable."

It adds: "We believe that our proposals will make a start in releasing the immense potential contribution which the City could make to regenerating the British economy."

In detail, the paper argues that the swiftest way of securing an independent statutory commission would be to adapt the developing structure of the Securities and Investments Board (SIB) "to serve the new role of a powerful and comprehensive public watchdog."

Labour argues that the board should be re-established as a public agency accountable through ministers to Parliament and should be publicly funded, though the levy on City bodies might be retained while being channelled through the Government. Membership of the board would be reconstituted to ensure that the majority were not current practitioners.

The power of the SIB over the self-regulatory organisations (SROs) would be strengthened by giving the unqualified right to vary rule books without challenge in the courts. The SIB would also be given explicit power to instruct an SRO to withdraw all authorisation for a new member firm and this right should be recognised in the rule book of each SRO. In addition, the remaining regulatory powers of the Department of Trade and Industry, such as those on insider dealing, could be transferred to the SIB.

Labour also proposes that Lloyd's insurance market should be brought within the scope of the SIB, as should the takeover panel which, the party argues, currently has no investigative powers of its own.

The document also includes a section on company law which is more tentative and consultative. For example, it argues that consideration should be given to encouraging more independent directors "by requiring by means of legislation or SIB rules that publicly quoted companies should appoint a stipulated proportion of their directors from outside management and should maintain an audit committee of such non-executive directors."

The paper also strongly favours the disclosure of beneficial ownership of shareholdings and, recognising the practical problems involved, believes that "substantial progress could be achieved if disclosure were enforced by a range of sanctions against its refusal, from withdrawal of voting rights to freezing the sale of shareholdings or blocking the payment of dividends."

The paper also discusses offshore havens and says measures might be considered to limit the ready availability of shelter of nominee holdings in such places as the Channel Islands and the Isle of Man. It notes that the constitutional relationship between Great Britain and these self-governing islands "will inevitably be undermined if they continue to let it be exploited by the insider dealers.

"In the event of their co-operation not being forthcoming in the fight against fraud, it may be desirable for Parliament to consider how to deny these havens to fraudsters, including the extension of UK legislation to these offshore islands by bringing them within the scope of certain aspects of company law."

As part of the proposals for "cooling takeover fever," the party proposes changing guidelines for referrals to the Monopolies and Mergers Commission away from just market share to the new criteria of employment security, impact on trade performance and retention of technology, in the case of strategic industries, particularly in high technology sectors.

The onus of proof will be shifted so that the company proposing an acquisition will have to demonstrate that the merger is in the public interest, in place of the present negative procedure. Existing powers to monitor performance after a takeover on commitments made during a bid will be enforced.

These changes will largely be within existing legislation but Labour also proposes new laws requiring notification of all mergers of significant size to the Office of Fair Trading, and a statutory right of consultation for employees during the notification period.

"In the event of a bidder failing to satisfy the OFT that a merger is in the public interest, the bid will be recommended for referral to the MMC."

Labour also proposes that effective sanctions would be provided to deter breach of undertakings offered during a bid including the ordering of divestment in cases of broken commitment.

Tebbit tunes up Tory party machine

BY PETER RIDDELL, POLITICAL EDITOR

MR NORMAN TEBBIT does not sound like someone expecting a May general election. Preparations are, the Conservative Party chairman says, "very well advance," but there are still some things to do, including writing the party's manifesto.

The election options are, for him, broadly the same as before last week's Greenwich by-election. The Government is waiting "for the tactically right moment" and Mr Tebbit, anyway, did not expect by now to have "a clear and outstanding preference for one date rather than another."

He admits that the opinion polls are "very difficult" to read at the moment and Conservative Central Office is organising its own private polls to examine regional variations and to see whether, as some surveys have suggested, there are differences between "safe" and "marginal" seats, with the Tories doing relatively better in the latter.

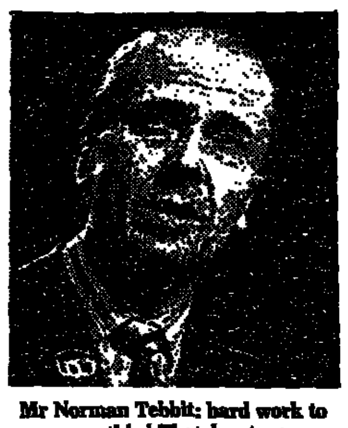
Mr Tebbit is primarily looking to local government elections on May 7 for pointers. Voting will take place everywhere in England and Wales except in London, allowing a dry run for local parties. The seats being contested then were last fought in 1983, a very good year for the Tories, so losses are to be expected both to Labour and the Alliance.

A highly sophisticated analysis of the results in terms of seats and votes sliced eight different ways will be done both for internal purposes and externally, for the benefit of the press and public, to highlight underlying trends. Clearly, headlines about big Tory losses would not be the right way to start a general election campaign.

Mr Tebbit hopes that these elections will give him a clear Yes or No signal for a general election, but he concedes that the signals will probably be more difficult to interpret.

The Conservatives are also keen to wait until a bill to abolish Scottish property taxes becomes law. This should be by the middle of May.

All this suggests, although Mr Tebbit does not say so, that mid-to late June, either the 18th or the 25th, has still not been ruled out. But this is without taking account



Mr Norman Tebbit: hard work to earn third Thatcher term

of Prime Minister Mrs Thatcher's instinctive caution which still makes late September or October the favourite times in the view of many MP's.

Whatever the date, the Tories' "war book" or "blue book" of detailed plans is now ready and has been seen by Mrs Thatcher. It sets out who does what and when, the structure of ministerial tours and a promotion strategy.

It all works on a D-minus formula, counted back day by day from polling and it can be activated at any time.

Mr Tebbit admits to a few things not yet done. At the start of a campaign he would prefer to have a couple of election broadcasts made. At present, preliminary work on outline scripts and a selection of material is under way, for example, arranging background film footage because this is not available from the BBC or ITN.

The party chairman would also want to see the main pieces of promotional literature ready. At present, the massive Campaign Guide is well under way. Preparation of the manifesto is also well advanced. The work of the 11 policy groups, each chaired by a cabinet minister, has been completed, and Mrs Thatcher herself apparently knows what she wants to see put in it.

According to Mr Tebbit, the manifesto is currently at the stage of looking like a building site with a lot of material and the task now is "how to assemble it in the most attractive fashion." It requires a lot of "shaping and honing" to fit together as a whole.

The party chairman is coy about finance, although he appears confident. He points out that while the recent massive direct mail shots have been expensive, they have produced a net surplus. Moreover, after the usual stickly patch after the 1983 election, there is no reluctance on the part of industry now to donate to the party given the improvement in profitability and approach of the general election.

Mr Tebbit says the party has more local agents in the key constituencies than before 1983 when there was still disruption produced by the last-minute boundary changes.

There will obviously be several differences from the last election, not least in the Tories' approach to the SDP-Liberal Alliance. Mr Tebbit says that unpublished opinion polls carried out even in Greenwich show that on six out of seven issues, the Alliance was rated third in terms of having the best policies.

He believes that many people would be opposed to Alliance policies if they knew what they were. Tory propaganda over the next few weeks will concentrate on Alliance proposals and alleged divisions.

Mr Tebbit does not, however, envisage many differences in the running of the campaign. The traditional morning press conferences will continue, with the aim of setting some of the agenda of the day, although breakfast and daytime television will play a bigger part than in 1983.

There are a few new campaign ideas which Mr Tebbit is naturally keeping close to his chest.

The main difference from the last election, of which Mr Tebbit is well aware, is that he faces a much improved national Labour organisation (it could hardly be much worse) and a central Alliance team already bloodied and proven in by-elections as well as in 1983. He will have to work to earn a third term for Mrs Thatcher.

Mercury hives off 25% of funds management

BY DAVID LASCELLES, BANKING EDITOR

MERCURY INTERNATIONAL Group, parent of the S.G. Warburg merchant bank, is to float off a quarter of its fund management subsidiary in a move to emphasise its independence and raise new capital.

An issue of 17.8m new shares in Mercury Asset Management (MAM) was announced yesterday at a price which values MAM at £158.4m. MAM is one of the largest UK managers of pension funds and unit trusts with £17.9bn under its control, including part of the British Rail and Postel pension funds. Postel is the combined fund for the Post Office and British Telecom.

The shares are to be offered at 225p each, which will raise £38m. Some analysts commented that this price looked cheap compared with other fund management companies, but Sir David Scholey, Mercury's chairman, said the group wanted to ensure that the issue was a success.

The shares will be offered to existing Mercury shareholders on a one for 10 basis under a clawback arrangement which will leave unsubscribed shares with a group of UK and foreign investing institutions. Only investors who had shares in Mercury on Wednesday will be eligible.

The issue will be of new shares. Mercury will not be selling any of its interest in MAM, but will be extracting £17m in capital. The issue will result in a net increase in MAM's capital of £21m to over £40m.

Mercury is forecasting that MAM's profits for the year to March 31 will be not less than £19.5m, up from £14.1m last year. At the offer price, the prospective earnings per share represent a multiple of 11.3 times, with an indicated gross dividend yield of 3.1 per cent.

Sir David said that there was increasing pressure on fund management companies which formed part of larger groups to demonstrate their independence at a time of growing concern about conflicts of interest, and he believed the flotation of MAM would give it a strong competitive advantage.

However, Mercury had decided not to reduce its stake below 75 per cent because it wanted to maintain a large holding stake in what it believed to be a strong business. He denied that Mercury's main motive was to raise cash from the sale.

MAM needs fresh resources to meet the new capital rules proposed by the Securities and Investments Board, the City of London watchdog, and to develop its business.

More than three quarter's of MAM's business is with UK institutional clients. The company intends to develop its foreign business, and is expanding its offices in Tokyo and New York.

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BCal sells off subsidiary

By James Buxton

BRITISH Caledonian yesterday announced the sale of Caledonian Airmotive, its successful subsidiary which overhauls aircraft engines, to Ryder System, a Miami-based group with interests in the same field.

The terms of the transaction were not disclosed. Sir Adam Thomson, chairman of British Caledonian, said the reason for the sale was that the airline needed to concentrate its financial resources on its $1.3bn aircraft purchase programme.

This meant it could not afford to meet Caledonian Airmotive's continuing demands for heavy new investment. It employs about 250 people. Ryder System concentrates primarily on transport and leasing.

British Airways low in ratings

BY DAVID CHURCHILL, LEISURE INDUSTRIES EDITOR

BRITISH AIRLINES have failed to win the top accolades in the latest survey of the world's favourite airlines carried out by the magazine Holiday Which?, published by the Consumers's Association.

Some 15,000 of the magazine's readers voted four overseas airlines as their favourite carriers when travelling overseas.

The four, in order of preference, were Wardair of Canada, Cathay Pacific, Swissair, and Singapore Airlines. These four were put in the "first division" in the league table of favourite airlines produced by Holiday Which? and given the "Golden Wings" awards.

British Airways, which uses as its advertising slogan the phrase "world's favourite airline," came bottom of the 11 airlines comprising the "second division" in the magazine's league table. This group was headed by El Al, Cyprus Airways, and Lufthansa.

The first British airline to feature in the table was British Midland, which came fourth in the second division, followed by Air Europe.

Orion, a UK charter airline, came eighth in this division, closely followed by British Caledonian, Virgin Atlantic, and British Airways.

Aer Lingus headed the "third division," followed by Air Canada

Jaguar, Lotus to create 1,800 specialist jobs

BY JOHN GRIFFITHS

PLANS TO create 1,800 jobs in the UK's specialist car industry were announced independently yesterday by Jaguar and Group Lotus.

Jaguar is to take on 700 workers this year, bringing its recruitment total to 2,000 in 24 months, and Group Lotus is to increase its workforce from 900 to 2,000 over the next five years as a result of a decision to expand in the UK instead of overseas.

Lotus will now build its plant to produce a new £12,000 sports car, the M100, at its Hethel headquarters in Norfolk, said Mr Michael Kimberley, chief executive. Production would start in 1989, lifting Lotus' output from 750 cars last year to 5,250 by 1991.

Jaguar's expansion was announced by Sir John Egan, chairman, as the company reported pretax profits for last year of £120.8m, down marginally on 1985's £121.3m, on turnover up to £830.4m from £746.5m. The results were much as expected, however, and Jaguar's shares closed last night at 596p down 12p.

The new jobs at Jaguar will lift its total workforce to around 12,000 by the end of this year. Some 200 of the recruits will be to Jaguar's research and development operations, spending on which increased by more than 50 per cent last year to £35.2m from £22.9m.

Jaguar has just completed the first phase of its £50m engineering centre at Coventry, which is due to be operational by the end of the year. This year's recruitment is expected to suffice for Jaguar until close to the end of the decade, by when it expects to be building 60,000 cars a year compared with 41,437 last year.

However, company executives spoke yesterday of potential installed capacity for 80,000 cars a year in the early 1990s and a potential market of 100,000 cars after a new sports car (additional to the XJ-S and other models) are added in the early 1990s.

Lotus's announcement follows agreement by its parent, General Motors, to fund a shortfall of what Mr Alan Curtis, chairman, described as "some millions" in Lotus's planned £54m development programme.

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Distribution of anti-Aids drug

By Terry Dodsworth,

THE WELLCOME Foundation, which has just won approval to begin marketing the world's first anti-Aids drug, said yesterday that it would restrict distribution to physicians experienced in dealing with Aids patients.

The UK-based company began negotiations with the UK National Health Service yesterday on proposed distribution methods. It said the NHS would be prescribing the drug, Retrovir.

The drug is not a cure but has been shown to slow down effects of the illness in certain categories, affecting about 60 per cent of patients.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Hillsdown Holdings

A constant quest for under-used assets

Nikki Tait on the takeover philosophy of a young UK conglomerate

HOW DO you take over 50 companies in two years, handle turnover of £1bn-plus, yet have a head office staff of 22?

Ask Hillsdown Holdings. The question is timely. While the pace of this UK group's acquisition machine makes frequent headline news, less attention has been paid to the way in which it manages the array of companies sucked into the group.

Moreover, it is now four months since Hillsdown cleared its debts via a £154m placing for cash. The immediate market buzz was that the "big one" — an acquisition over the £100m mark — was on the way. But, while names like food groups Dalgety, Fitch Lovell, even Unigate have shot into the speculators' sights, no such deal has yet *emerged*.

Instead, post-placing acquisitions have been more of the same. Which leaves the City wondering—how would a large, probably contested, bid fit into the current management philosophy? And, if the company persists in treading its familiar route, how extendable is the *existing formula?*

Hillsdown's history is well-publicised. Founded in the mid-1970s by a food company executive and his solicitor, it spent around £50m buying some of the largest and least successful businesses in Britain's food industry before being launched on the stockmarket in early 1985.

Lockwoods Foods, the canning business, was snapped up from the receivers for £3.5m in 1981; the Daylay egg and Buxted poultry businesses belonging to Imperial Group, were acquired in 1982 for an eventual £39m price-tag; in 1983, TKM Foods, for a nominal £1; and (the same year) *FMC*, Britain's largest slaughterhouse business, for £4.9m. The common factor in all four deals was the size of business involved and its equally poor profit performance.

Since flotation, the shopping rate has accelerated. Between floating and the end of 1986, Hillsdown made 46 acquisitions. The vast majority of those purchases cost under £10m — although double-figure deals took in Meadow Farm for £62m, *Pyke Holdings (£19m)*, Twydale Turkeys (£15m), a couple of fish processors for around £20m and two timber companies, May & Hassell and Mallinson-Denny, for £13.5m and £45m respectively.

The results speak for themselves. In 1980, pre-tax profits stood at £700,000. By 1984, they had *risen to £18.9m* and in 1985, £33m. Next week Hillsdown unveils 1986 figures and has already forecast profits of not less than £50m. Even though a lot of shares have been issued recently, earnings per share, which were under 0.5p in 1980 rose *to 12.1p in 1985* (adjusted for the September scrip issue) and analysts are suggesting over 14p in 1986.

Stymied

The key to its acquisitions style, claims Hillsdown, is the choice of businesses with solid underlying managements, but ones which have been stymied by *financial or* bureaucratic overheads. "Almost without exception in the companies we've bought, the top layer of management has not been very *good,"* explains Harry Solomon, co-founder and now joint chairman of Hillsdown.

Make no mistake—Hillsdown is no slouch at removing loss-making parts of *ailing* acquisitions. In the case of Lockwoods, for example, the number of administrative staff was quickly cut from 120 to 40, the disparate operations merged *into one factory*, overseas operations discarded and the workforce reduced by 25 per cent over three years following a £3m *investment in computer-controlled* processing equipment.

Yet the company maintains — and its record supports it — that it never buys a business in order to break it up; the disposal of subsidiaries post-acquisition is designed to free existing management, either by stripping out peripheral and time-consuming *interests* or by removing financial encumbrances.

With that in mind, it is easy to see why Hillsdown invariably *seeks agreement for its bids.* Aside from cost and the bad blood which can be created, there is a third important edge.

"You talk to management," says Solo$on simply. "When you've taken over the number of companies we have, I reckon you can tell by going round a factory whether it's good, bad or indifferent. There's always one or two people who stand out."

Promote those people, he argues, and other good people will follow. The mediocre slip quietly away.

It sounds a management utopia. But the fact remains that of the 17 managing directors who headed Hillsdown's principal subsidiaries when it came to market, all but two had been with their companies for more than five years. Eight had each had over 15 years' experience with their *particular* company.

Certainly, Hillsdown's reputation for giving management its head, post-acquisition, wins crucial *support*. *In November,* the company secured a £45m agreed offer for timber importer Mallinson - Denny — just 14 months after MD's management had *bought itself out from* Unilever.

"Independence was the key," says Frank Andrew, Mallinson's managing director who lead the buy-out, when challenged about this leap back into another corporate fold. "There weren't many companies we would even have considered."

Independent, but not unfettered. The crux of Hillsdown's control system is its annual budgets, agreed in the late autumn of each year. Managing directors of each subsidiary spend lengthy sessions at Hampstead (London)-based Hillsdown House, discussing in detail what they expect their company to earn in *the following* 12 months.

Into that budget are fed all the capital expenditure requirements, plus the extent to which these can be funded from cash

flow. Once agreed, the budget becomes the performance marker. Management's bonus *incentives are also linked to* those key profit levels—and up to 30 per cent of a senior manager's pay can be bonus-related.

There is, maintains Hillsdown, little attempt to goad management by building in extra ballast. "The budgets have got to be management's genuine *conservative opinion* of what the company's going to make. We don't want too pessimistic an approach, and we don't want too optimistic an approach. But of *the two, we certainly prefer hte* pessimistic."

Each of the seven main board directors takes responsibility for one of the company's mainline divisions — poultry, fresh meat, food-processing, stationery and so on. Reporting directly to this director, MDs of each subsidiary are required to furnish a concise report on each month's happenings and the prospects ahead

It is the streamlined set-up which keeps head office staffing so tight. The company runs two acquisitions teams at Hampstead—"for every 100 companies they look at, we might buy five"—and each consists of three or four people. Four main board directors are based in Hampstead. The other dozen Hampstead-based employees are principally accountants and secretaries.

Hillsdown argues that its basic structure is almost infinitely extendable. As a concession to the growing scale of operations, for example, it simply increased the number of main board directors by internal promotion from four to seven last September—spreading the subsidiary responsibility workload wider.

But if the management resources are there, what about the supply of ailing companies needing the Hillsdown treatment? There has certainly been a perceptible shift from the first four character-forming deals. Take the three largest purchases made in the last six months; while there is an element of coincidence, all three—timber, turkeys and fish—have been sound, well-run businesses, with no layer of inefficient management to be stripped out.

Purchase prices have reflected that trend—although scarcely *sky high,* they *have* hardly been bargain basement either.

Keeping tabs

Hillsdown admits it will never shop overseas—as was the case with the fish processing business—unless it knows management is first-rate, largely because of the problems of keeping tabs. But it also maintains that bolt-on acquisitions, like the recent turkey acquisitions where better incumbent management might entail paying higher prices, are just one leg of current policy.

"There is also a number of areas where we see particular growth and development but which are related to our current businesses," says Solomon. Fish-processing—the chance to capitalise on the trend towards healthy eating and to supply existing supermarket contacts—is one. "Another example of a growth area in which we will continue to be making acquisitions is the pet food industry—for us, it's a natural. We're very big in *canning and one of the largest* in meat and poultry so we've got all the raw material. And because of our *relationship* with the supermarkets I think we can do quite a lot of own-labelling."

A third suggestion is fresh fruit and vegetables. Analysts' imaginations run further afield —anything from footwear *to* textiles has been mooted.

But *if branching into new* sectors would allow the current formula to be repeated, a mega bid would represent an entirely different challenge. It is not the *size* of deal which causes City sceptics to pause, more a question of how Hillsdown's approach would *adjust if* the bid were con᠎sested and the incumbent management failed to co-operate after the takeover.

"We're not frightened," says Hillsdown, pointing to the fact that it did indeed launch a £500m contested bid for S. and W. Berisford, and pulled out only when an investigation by the *Monopolies* and Mergers Commission into its own bid (and the rival Tate and Lyle offer) loomed.

Yet many analysts believe that Hillsdown was initially close to agreement with the Berisford board—and only some shrewd manoeuvring of rivals by Berisford chairman Ephraim Margulies scuppered the deal.

Hands-off at Christie-Tyler

IF PROOF of Hillsdown's takeover style *is in the eating*, take a look at its £6.25m digestion of Christie-Tyler.

Bridgend-based Christie-Tyler is Britain's largest upholstered *furniture-maker* and — as with so many Hillsdown companies — has expanding High Street business. It was *previously* headed (and 17 per cent-owned) by George Williams, a 67-year-old Welsh businessman who had run and nurtured the company from *virtually nothing* in the mid-1940s.

CT's profits, however, vanished in the early *1980s* when the furniture industry went into sharp recession. There was a swingeing £2.9m deficit in 1981-82 followed by some 300 redundancies *out of* a 3,000-strong workforce. The company then *struggled* back to profits of £362,000, £1.37m and £1.61m in the following three years. *Which* — in August 1985 — is where Hillsdown stepped in.

The timing was spot-on. CT was well down the recovery road *and* borrowings, which had rocketed to almost £2.4m in 1981-82, were cleared. Reorganisation had cut out much of the group's cheap upholstery *business*. There was promising new business with a £1m factory for Harris Queensway products opening in Scunthorpe. About two months before the Hillsdown approach, CT also started work on the furniture range of Marks and Spencer, the UK retailer.

The deal itself was done with typical discretion and with agreement.

According to Richard Willam — who *remained managing* director post-acquisition—Hillsdown's first action was to ask incumbant management what it wanted to do. The response was to pin-point four *subsidiaries* which could be cut out and one which could be turned round.

So Olympic Kitchens, purchased by CT in 1979 — and, according to both CT and its current owner, losing around £1m a year — was sold to a former employee for a nominal sum. Bath Cabinet Makers was closed before the bulk of the business was bought back by existing management; losses there topped £0.5m. And Pendle Upholstery, a small fabric business and Reknown — which made corner units — pulled down the shutters.

By Christmas the weed-out was complete. On Willam's *estimates*, the operation disposed of £2m in losses, offset to the *tune* of £0.5m-plus in increased interest charges to finance the pruning.

George Williams also slid into an advisory capacity before departing at Christmas. If the cuts were reasonably obvious, why did it take new owners to effect them? "Perhaps you can become too close to these things," says Willam tactfully.

The rationalisation left the company making a mix of middle and upmarket upholstered furniture. It now operates through 16 principal subsidiaries, most *in* South Wales.

Thereafter the changes appear to have been slight. Senior management is intact, and the total workforce unchanged at around 3,000. Each subsidiary *is*—as it was in Williams's day—a profit centre, reporting to the Bridgend HQ. And pay at *management level* at those subsidiaries remains profit-related.

Financial controls, say local managers, are actually less *onerous than in Willams' day* and the only hassle appears to come in convincing Hillsdown's Hampstead office *that* the degree of credit insurance requested was *truly* necessary. "They're obviously used to dealing with big multiples," says a financial controller of one of the subsidiaries ruefully.

As far as relations with other Hillsdown furniture interests are concerned, some *overlap* does occur. Information on *supply* sources is exchanged, for example, joint shows have been arranged, and CT loans out its quality-testing equipment. There is even joint sourcing of certain basics, like springs. But on key ingredients, like fabrics, which account for perhaps a third of the cost of a chair, the *businesses remain* quite separate.

These are early days. Willam says the company is doing better than just saving on the *disposed loss-makers*, but the furniture industry has never been easy.

On the one hand, there are secure multiples anxious to squeeze margins to the limit; on the other, there are the independents where margins are 5-10 per cent better but business—and payment—less *predictable*. At the moment, the industry—if not booming—is at least on an up. Hillsdown's support through a recession will be interesting to chart.

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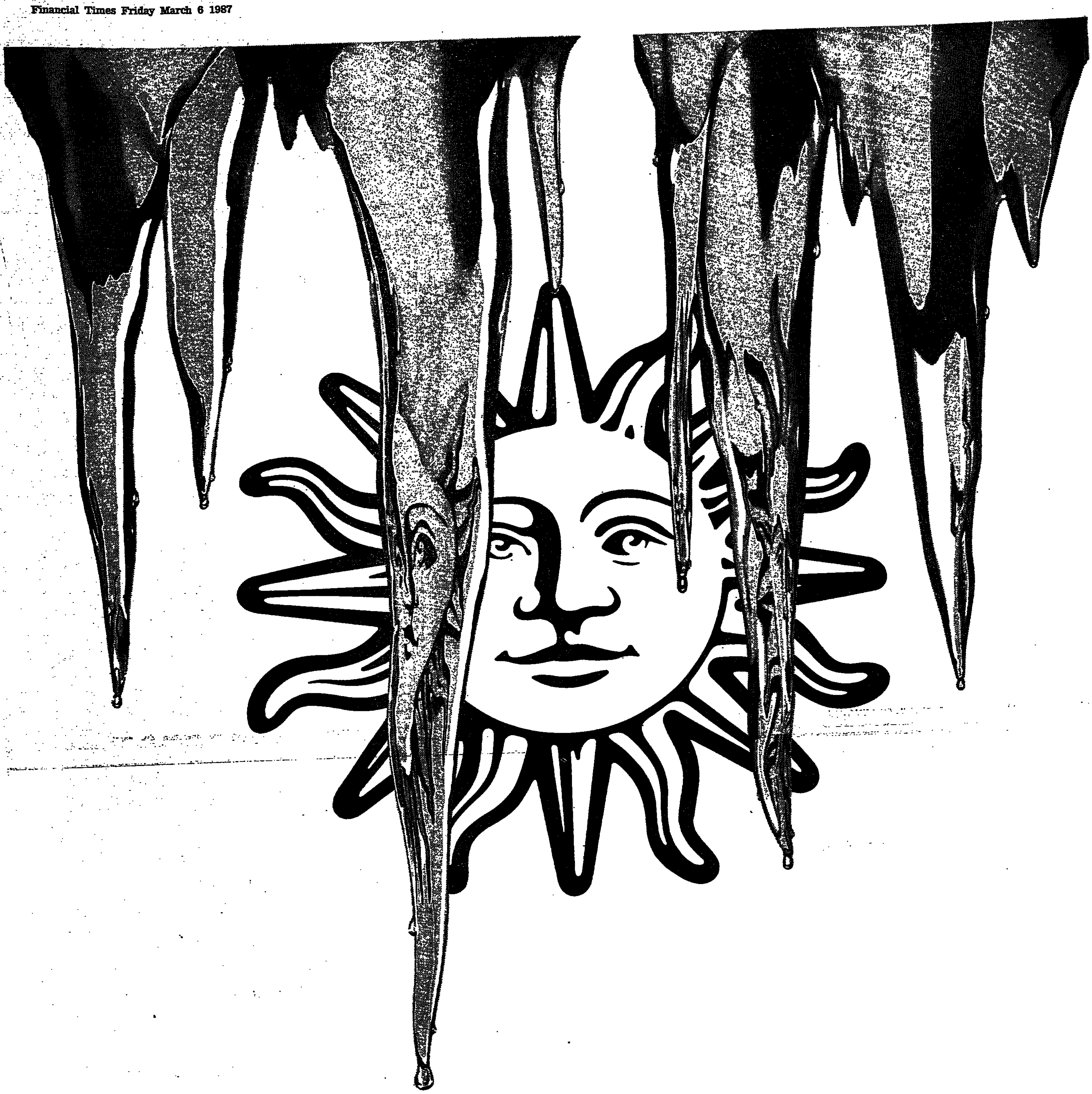


Peter Marsh looks at the impact of advanced surface analysis on a range of industries, from off-shore oil to semiconductors

Detective work that really gets under the skin

A VITAL component in an off-shore oil platform has fractured and engineers are trying frantically to discover the cause. To look for signs of corrosion in the surface of the steel in the platform, the engineers are likely to be using a series of sophisticated and versatile instruments which are finding application in many other areas — such as examination of defective microchips and in forensic science.

In all these cases, electrons, ions or X-rays are fired at a material, whether this be metal, silicon, plastic, wood or bone, with the subsequent emission of other particles producing clues as to what the substance contains.

The equipment produces information about a tiny portion of the surface, sometimes no more than a few atomic layers deep. In this way, the researchers can obtain details about minute quantities of impurities that may be present, shedding light on, in structural engineering, possible causes of corrosion or, in factories, problems in quality control.

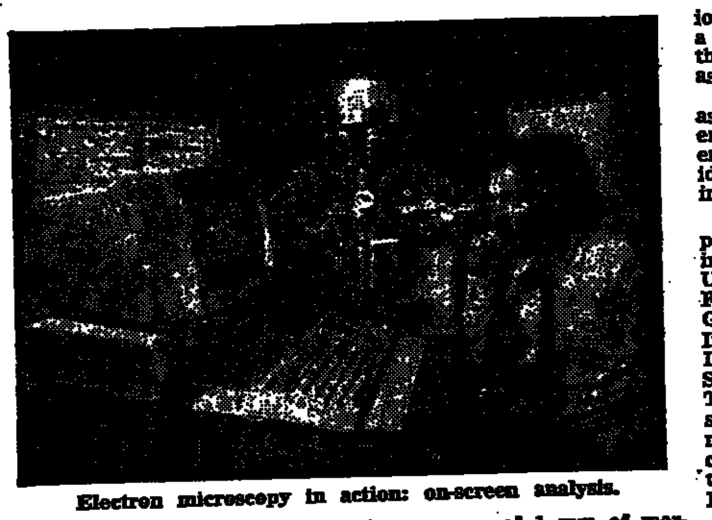
Other areas in which surface science is important include forensic work, in which researchers look for traces of material as possible clues in criminal cases, and in the development of catalysts. For instance, scientists may need to analyse the surface of cobalt-based catalysts to find out how the addition of hydrogen aids the material's role in removing sulphur from petroleum, a useful step in efforts to combat acid rain.

Other applications include agriculture — the instruments can detect tiny amounts of chemicals on plant leaves in tests to determine the effectiveness of pesticides — and in work in adhesion to devise new types of bonding mechanisms for materials as disparate as metal, wood and plastics.

Annual world sales of surface-analysis equipment came to $99m in 1985, according to Market Intelligence Research (MIR) consultants based in Palo Alto, California. MIR expects sales to grow to $123m in 1990. Companies buying the systems for their laboratories include some of the giants of the electronics, chemical and oil industries.

Particular growth is likely in the semiconductor industry, according to Mr Paul McLaughlin, vice president of business development in the materials analysis group at Perkin-Elmer, the US company which is the world's biggest supplier of surface-analysis systems.

Mr McLaughlin thinks that the moves by semiconductor companies into new types of integrated circuits, based on gallium arsenide and other mixtures of materials, will create a growing demand for high-accuracy instruments to inspect surfaces for defects.


Electron microscopy in action: on-screen analysis.

Individual machines for surface analysis are highly expensive. Typically, they cost anything from $100,000 to $700,000. The instruments require ultra-high vacuums of pressures as low as one ten-billionth of a torr (1 torr is equivalent to the pressure of 1 mm of mercury). The machines analyse the surface of materials to depths which can vary between less than a nanometre (billionth of a metre) to about 1 micron.

The systems use a variety of often confusingly labelled techniques of which X-ray photoelectron spectroscopy, secondary-ion mass spectrometry and Auger spectroscopy are among the most popular. All the techniques irradiate a material with particles and then collect other particles such as ions and electrons emitted as a result, possibly analysing these in other instruments such as mass spectrometers.

By monitoring such factors as the energies and rate of emission of the particles, engineers can shed light on the identity and concentration of impurities in the surface.

Besides Perkin-Elmer, companies selling the instruments include Surface Science of the US, Riber and Cameca of France, Atomika of West Germany, JEOL and Seiko Instruments of Japan and VG Instruments, Kratos and VSW Scientific Instruments of Britain. The Manchester-based VSW specialises in selling custom-made machines. The company's customers include Bell Laboratories, Exxon, Dow Chemicals, ICI and General Motors.

In the research world, a group of European scientists has joined forces to build a new, highly sensitive instrument that uses Auger spectroscopy to analyse surfaces. Working on the $375,000 project, which is supported by the European Commission and the UK Science and Engineering Research Council, are researchers from Liverpool University in Britain, Groningen University in Holland and the University of Messina in Italy.

THE ADVANTAGES OF FOCUSING WITH AN ION CONCENTRATION

A NOVEL instrument developed from work in new propulsion systems for space vehicles may help researchers in a number of applications, from reducing pollution to looking at the structural properties for ceramic materials.

Kratos, a company in Manchester, UK, which sells surface-analysis equipment and mass spectrometers, is developing techniques for using the machine, called a scanning ion microscope.

The system evolved from work on propulsion techniques at the UK Atomic Energy Authority's Culham Laboratory, near Oxford. Researchers there devised a way to produce a highly concentrated beam of ions (charged atoms) by subjecting a material such as gallium to an intense electric field. The material is held in place on top of a sharp needle made of tungsten or tantalum.

Culham scientists originally thought the ion source could produce a bright, highly focused stream of particles which, if shot out of a space vehicles could propel it. Such ion-beam systems have been proposed for providing the small amounts of thrust needed to keep satellites in the correct orbit.

Culham later licensed the ion-source technology to IBT Dubilier, of Abingdon, near Oxford, which developed a scanning ion microscope based on the invention, and which last year sold the development rights for the system to Kratos. The Manchester company had sales of £29m in 1985-86 and was until just over two years ago owned by California-based Kratos, Inc., which then sold it to a group of managers backed by venture-capital organisations.

Ions from the microscope are scanned across a sample like the beams of electrons in a TV picture. The instrument analyses other ions that the surface emits. Because the width of the original ion beam is so narrow, at only about 40 nanometres (billionths of a metre), the system can give a highly accurate picture of the composition of trace materials on a surface.

According to Dr David Finbow, research director of Kratos, systems based on the scanning ion principle will add to the range of machines that the company sells. The company specialises in equipment that combines several surface-inspection techniques, for example secondary ion mass spectrometry and Auger spectroscopy.

One of the applications for scanning ion microscopy is likely to be in semiconductor research. Microchip researchers at Cambridge University are already using one machine, supplied by IBT Dubilier, to probe the surface of integrated circuits for defects.

WORTH WATCHING

Edited by Geoffrey Charlish

French cocoon for goods protection

A FRENCH company is offering an anti-shock bag, called Sac-Choc, to protect goods in transit.

The company, Leponey Industrie, has devised an air-tight bag, which is full of flexible bubble granules, and is available in a variety of shapes and sizes. The bag is wrapped round the object to be protected and a small pump is used to remove most of the air from the bag, forcing the granules together in a partial vacuum to form a rigid cocoon.

In effect, the object is protected by a mould of itself. Sac-Choc is re-usable.

Canon has its eye on word processing

CANON of Japan has added optical character recognition (OCR) to its IX-12 image scanner. This means that, apart from being able to record exact images of text and graphics printed on paper, the machine can recognise characters and turn them into standard computer code for use within word processing systems.

The OCR software, called ReadRight, uses computer power to examine each character's shape and, from in-built knowledge, determines what it is. This "topographical analysis" allows the machine to recognise a variety of type founts and sizes.

When used with the IX-12 scanner, the new software enables pages to be read at 50 to 60 characters a second into an IBM model AT personal computer or a compatible machine.

Kodak moves into optical storage

KODAK this week reached a milestone by announcing a document storage and access system in which the storage medium is optical disk, not microfilm.

After a century in which silver halide film production and sales have predominated, Kodak has been building up expertise in other methods of image storage by acquiring companies such as Verbatim, which makes optical disks.

Now, for a minimum price of £140,000, Kodak is offering the KIMS 3000 system, consisting of two 12-inch optical disk drives, two high definition display terminals, a document scanner, a printer and the necessary computers.

The system is aimed at small to medium-scale operations where immediate document access is essential to give instant response to inquiries. Examples include accounts payable and receivable, order processing, personnel records and medical files.

The desktop scanner takes only 2.5 seconds to digitise a 14 x 8.5 inch document. With all the relevant documents recorded on the disks, any one can be retrieved in a few seconds and shown on the screen. There, it can be magnified, compared with another document on the same screen, or printed out.

Each optical disk can store 60,000 document images, (equivalent to 7,000 magnetic floppy disks). KIMS 3000 can be expanded and networked as necessary.

No through road for terrorists

THE EMERGENCE of vehicles as terrorist weapons has led International Security Services of Chippenham, UK, to develop the Citadel Truck Stop. The system uses wedge-shaped steel "impalers," mounted in a heavy duty concrete base let into the road.

When out of use, the impalers lie flush with the road. They spring upwards to a height of 600mm (nearly two feet) and face the traffic when activated.

The company's tests show that an attacking vehicle will be stopped and immobilised immediately. It cannot be made to tip forward to propel explosives into a compound (a technique that has been tried by terrorists).

Racal receiver to be made in India

A UK design of high frequency communications receiver is to be made in an Indian plant under an agreement between Racal Communications of Bracknell, the designer, and Electronic Corporation of India. The deal is worth £1.2m to Racal.

The plant, at Hyderabad, will make the receivers for sale to government departments in India. In phase one, kits will be sent to India for assembly. In phase two, the plant will use basic electronic components and assemble them on printed boards.

Siemens' sense of temperature change

SIEMENS, THE West German electronics giant, has developed a temperature sensor, PID 11, that can respond in less than half a second to a five degree C temperature change on a surface seven metres away.

The device uses a film of heat sensitive polyvinylidene difluoride only 1 cm square, in conjunction with a parabolic reflector that makes the sensor directive (plus or minus 10 deg). Using the PID 11, human presence can be sensed in order to control lights, hand dryers and similar devices.

A bump-free drive round the factory

BT ROLATRUC, of Slough, UK, has launched an automatic guided vehicle for factory use in which protection is provided by sonar sensors instead of bumpers. A form of ultrasonic radar (like that used by bats) allows forward "vision." The truck, APM 1500E, is also faster and more efficient than the one it supersedes.

CONTACTS: Kodak: UK location, 0442 61122. Rolatruc: UK, 0753 30651. Canon (UK): London, 773 3173. Racal: UK, 0734 782158. Lepinoy Industrie: France, 3067 8484. International Security Services: UK, 0249 782278. Siemens: UK office, 09327 85691.

FINANCIAL TIMES SURVEY

Basingstoke

Basingstoke owes much of its growth to its pleasant location and communications, within easy reach of London by road and rail and close to Heathrow airport. The task is to consolidate its achievements and provide jobs for the 2,000 youngsters leaving school every year. William Cochrane reports.

Survival kit for a boom town

BASINGSTOKE IS a sensible town, aiming at a mature lifestyle after explosive growth in the 1960s, 1970s 1980s. It expects continued growth in view of its strategic location, needs to maintain the vitality of the community, and would prefer it in measured quantities, so that services can be maintained or improved.

It was an important market town in the 1930s, with a population of 14,000. After the war, it accepted London's overspill population, particularly in the 1960s and 1970s, and cut London's apron strings with commercial and industrial growth in the 1970s and 1980s. The town area's estimated population was 81,100 in 1985, rising to a potential 84,900 in 1990.

The borough of Basingstoke and Deane, which covers a wider area of 245 sq miles around the town, claims over 130,000 inhabitants. It sells itself partly by travel times of 45 minutes, whether it be to Heathrow airport or Southampton docks by road, or to London's Waterloo station by train.

The period of rapid expansion now largely over, particularly in office building, is expected to be curtailed in future. The Hampshire County Council, with its eye on urban regeneration in the southern cities of Southampton and Portsmouth, expects Basingstoke to trim its sails in the remaining years of this century.

Mr David Pilkington, the borough council's chief executive, stays positive: "In the earlier days of the town's development in the late 1960s and early 1970s, the county spent a great deal of money putting in roads, schools and infrastructure in general for the growth of Basingstoke. We have to say that we are grateful," he says.

The big issue is maintenance of employment for the town's comparatively young population. "About 2,000 youngsters leave school here every year and we need to find jobs for them.

"This has been achieved by a mix of encouraging local companies to expand, but equally by making provision for new companies to set up in Basingstoke," he says. Unemployment in the town is now 5.6 per cent, notes Mr Pilkington, and the position in relation to the young is better than it was two years ago.

He is proud of the fact that the borough council is preparing to halve its rate precept from 16p to 8p. The present general commercial rate of 185p in the pound is, however, expected to rise as a result of an increase in the county council needs.

"We are spending more on increasing the standard of our services while halving the rate," he maintains. He gives two reasons for this apparent squaring of the circle.

First he is playing the Government's game. "The game this year is that the less you have spent in the past, the more grant you get to spend in future."

Second, says Mr Pilkington, the council generates an enormous ground rent income from office sites, industrial sites and town centre shopping as direct landlord. In the 1980s second phase the landlord is also the PosTel pension funds.

"Ground rents are a very substantial contributor to our expenditure," he says, "and as a result we will have the lowest rated district in the whole of Hampshire."

There is criticism, however. Andrew Newman, local partner of chartered surveyors L. S. Vail, is full of praise on the one hand for the fantastic location, the two motorway junctions, and the good rail links, but he wonders whether Basingstoke has fallen between two stools, the pretty town it still is in places, and the boom town it has become.

Tom Hadley, site services manager for Sony Broadcast, one of the many companies to have its headquarters in the town, says that he is staying in Basingstoke. "It is a place that is going to grow, and that reflects on the company," he says.

Sony Broadcast is one of the new breed of occupiers which may be moving from split accommodation—offices in Basing View and industrial accommodation in Priestley Road—to a new headquarters which will combine assembly, storage and other functions.

CHURCHILL PLAZA, London & Edinburgh Trust's major office development (above), leads the way on new office schemes in Basingstoke, say agents Fletcher King who have recently produced an overview on offices in the borough.

The last three lettings of major buildings in the town were made at the beginning of 1986. Fletcher King expect the rent on Churchill Plaza to move in line with Reading, possibly reaching £16 per sq ft.

Office developments

	1980 (sq ft)	1985 (sq ft)
Total office floorspace	1.65m	3.08m
Office developments completed since 1980 include:		
Snamprogetti House, Basing View		101,500
Southern Cross		32,400
Gateway 2		139,300
Northern Cross		55,100
Normandy House, Alencon Link		105,800
Provident Life		99,400
Large schemes under construction:		
Sun Life of Canada, Basing View		150,100
Churchill Plaza, Churchill Way		156,600

Source: Basingstoke and Deane Borough Council

Rethink on rate of office growth

BASING VIEW, the elevated and imposing office colony to the immediate north-east of Basingstoke town centre, has been the major feature in Basingstoke's commercial growth over the past two decades.

It is now approaching capacity in its present form, which would be some 2m sq ft of mostly medium-rise offices, with excellent access by road and rail, good parking facilities and a list of occupiers which includes headquarters for the Automobile Association, Wiggins Teape and Snamprogetti UK.

The question is at what rate growth can be allowed to continue for both political and practical reasons.

The North East Hampshire Structure plan, in its present form, allows Basingstoke some 378,000 sq ft of major office development between January 1992 and March 2001. This is well below the 929,000 sq ft allocated for the period 1982-91.

Some locals say that Hampshire County Council, a great support in the borough's formative years as a headquarters office location, is now favouring the southern part of the county in its need to revitalise Portsmouth and Southampton.

Others say that growth ought to be regulated by the town centre's capacity to absorb it.

Wiggins Teape is a great proponent of Basing View. Group chairman John Worlidge says the group began its headquarters move from the City of London in 1973 with the acquisition of space in Belgrave House. Like a number of other occupiers, he says that the ability to find temporary space was a distinct attraction.

Group headquarters was established in 1976 on completion of the first Gateway House in Basing View, now occupied by IBM. When that became too big, as the result of recession in the paper industry, Wiggins Teape built another headquarters, Gateway 2, next door.

Happy as he is, Mr Worlidge has his reservations. "In many ways Basingstoke is the victim of its own success," he maintains. "Basing View has grown most successfully but I am afraid that the planners never seemed to envisage the major traffic problems which have ensued.

"The battle now is to get the right balance," he argues. "Let us have more parking before we let more people put big blocks up."

Council officials refuse to be panicked. Mrs Marilyn Hands, the borough's chief estates surveyor, says that major occupiers helped create their own problem by building, or accepting less parking space than they came to require.

She says that her team has put forward proposals to show how the occupiers could help solve the problem. She adds that although a recent survey has described traffic congestion as relatively minor, the council has various proposals for short, medium and long-term action to be taken.

On growth, she thinks that the office development core area could be expanded to land "within a reasonable stone's throw" *of Basing View*. In addition, structure plan alterations to be submitted to the Environment Secretary this month would focus office growth restrictions on the town centre.

This would leave the council free to promote campus office sites—out of town, environmentally attractive, low density development—proved by Royal London Mutual in 1984 when it picked Monsanto, the international chemicals group, as a tenant for its £5m Daneshill House campus scheme to the east of Basing View.

However, Mrs Hands emphasises that campus development is seen as complementary to Basing View, not as an alternative.

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Retailing

A time for refurbishing

BOOM TOWN retailing frequently falls behind the industrial or commercial development which brings in the money. In Basingstoke's case there can be no complaint with the amount of shopping; landlords, retailers and the council are doing their best to improve its quality.

The town's shopping stretches for the best part of half a mile, from the old market place in the south to the railway station in the north. The south is standard traditional, partly pedestrianised, and called "Top of the Town": pie shops, cafes, specialised retailers who want an old-fashioned setting.

Basingstoke's major expansion of shopping facilities came in two tranches, phase one in 1969 and phase two in 1981. The centre extends northwards in the form of a pedestrian platform spanning the Loddon Valley with servicing beneath. It takes in names like Owen Owen (department store), Marks & Spencer, Boots, Woolworths, Littlewoods, Sainsbury, C & A, W. H. Smith and Bejam.

Mr Geoff Nickolls, chairman of the distribution branch of the local chamber of commerce, reckons that town centre shopping totals 1¼m sq ft, including what was originally there.

He thinks that Basingstoke is progressing towards being recognised as a regional shopping centre. "I believe that we are winning the competition with both Reading and Guildford," he maintains.

"What we're selling is growth," he says. "Every year 1,000 extra workers and 2,000 school-leavers are being absorbed. Our retailers measure growth rates making them the leading branches of their groups regionally, if not nationally."

Mr Nickolls expects a major refurbishment of Phase 1 to begin this year. Prudential Assurance, the head leaseholder, will be putting a roof on the centre, upgrading the shops and reorganising and remerchandising a "dead sector"—100,000 sq ft of shopping which is badly placed in relation to pedestrian flow.

Phase 2 started with the BP pension fund behind it; now PosTel is head leaseholder. The council would like to see the landlords march together, and says that part of the negotiations which are going on for the refurbishment of phase 1 would be to achieve unified centre management for both.

Local agents Pearsons, now owned by the 'Pru,' have recently done a survey in conjunction with Property Market Analysis. On retailing, this found a spread of rents from £10 in secondary areas to £60 a sq ft in the best bits of Phase 2.

Mr Tony Dean of Pearsons' retail department accepts that the top rent is still well below the £80 to £90 a foot of Reading or the £70 of Guildford and says that this must qualify any claim the town makes to true regional centre status.

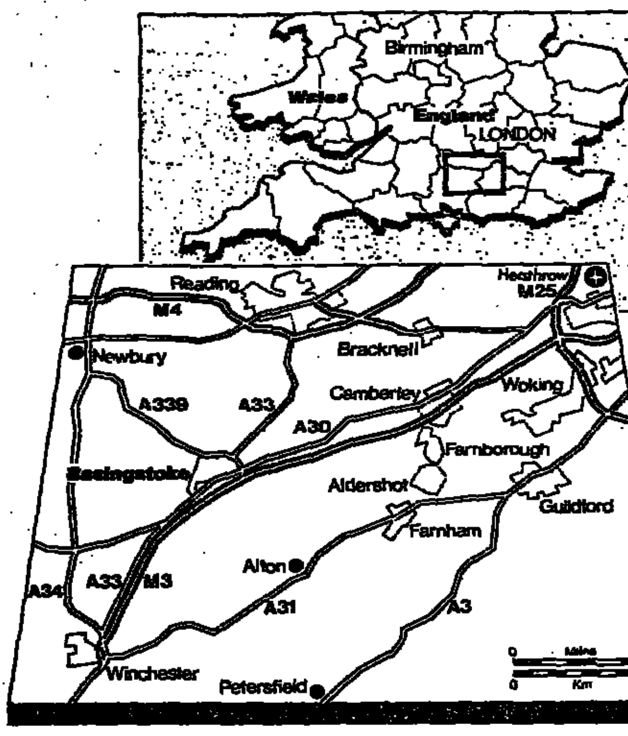
He feels, too, that there is not enough secondary to feed new, growing, retailers from the cheaper rented accommodation to prime units in the centre. He notes the incursion of offices into the eastern part of the pedestrianised London Street.

A Phase 3 is in the offing, scheduled originally to produce some 100,000 sq ft; but there has been talk of a mixed development with a sizeable office content.

Out of town there is to be a new centre, of some 100,000 sq metres, to the south west. Sainsbury is already in the south west at the Brighton Hill estate; it is said to be a candidate for the new centre.

Tesco is to the north east at Chineham, where Taylor Woodrow has built an attractive 100,000 sq ft district centre, and is in the process of extending it.

This edge of town retailing, says the council, spins off some of the shopping which needs an ultra-high car parking ratio. It also allows the town centre to compete with the threat of out-of-town megacentres, which could damage the town's retailing fabric from a position 10 or 15 miles away.



Housing

A choice of town and country

THE TOWN owes much of its growth in recent years to the 1952 Town Development Act which led to the former Basingstoke Borough Council entering into a tripartite agreement with the Hampshire County Council and the London County Council to accommodate overspill from London in the town and neighbouring villages. A population of 34,500 in 1961 has now grown to 90,000.

The developments originally conceived to house London's overspill are not attractive. "Not so much unsightly as monotonous," is how Mr Geoff Gosling, a Basingstoke planning officer, puts it. Nor is housing in and around the town particularly cheap now, with two-bedroom houses in new private developments selling for prices in the lower £40,000s, and four-bedroom detached houses as high as £118,000.

Some mistakes were not Basingstoke's responsibility. It does not have a large number of flat-roofed dwellings — "a saving factor," says Mr Gosling — and there is only one "high-rise" residential block in the whole town.

This building is Oakride Towers, which at 12 storeys is only relatively towering. Which is just as well, since the Towers are being converted into sheltered accommodation for the elderly, known to dislike the 25-storey London buildings where the top sways in the wind and the rain can fall upwards.

The council's decision to convert Oakride Towers increases to 25 the number of such schemes for the elderly in the borough. Refurbishing of landings, lobby and lifts will be backed up by a two-way speech alarm system in each flat, two wardens' flats and a central communications centre.

Improving the rest may be a matter of time. Mr Gosling thinks that the sale of 5,000 council houses to sitting tenants will help to improve their look. Some flats and masionettes to the west of the town are being demolished and replaced by much the same number of better quality homes.

Meanwhile there are plenty of pretty villages around for those who want to live in them, including Old Basing, Upton Grey and Dummer, formerly home of the Duchess of York.

It is fashionable to work in Basingstoke and live elsewhere. But it is surprising how many people, including property professionals, choose to live in Basingstoke and get their country living with a five-minute drive from the town centre.

Basic Facts

Local authority:
Basingstoke and Deane District Council, Civic Offices, London Rd, Basingstoke Tel 0256 56222

Population (estimated) 1985: 84,900

Housing:
Total houses 50,284
Owner/occupied 35,690
Council houses 12,170
Other rented 2,424

National research establishments:
None. Aldermaston Weapons Research Establishment is nearest research establishment.

Chambers of commerce:
Basingstoke District Chamber of Commerce Tel 0256 52275.

Enterprise agencies:
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Industry

Tempting the high-tech flyers

NEARLY 1m sq ft of "high tech" space—mixed industrial, office and research schemes—has been built since 1980, or is in the process of construction, threatening, some commentators believe, to create over supply.

Yet, at the other end of the market, as Mr Andrew Newman of L. S. Vail points out, basic industrial space is in short supply.

"There is very solid demand from locally based people who want more industrial space," he says. "What are they going to do? Move out?" he asks.

The council hopes not. It agrees there is a shortage of sheds but says that there are not enough sites in its ownership to do much about the situation; most of the high-tech development has been on land belonging to other people.

It has also agreed to restructure leases to 125 years, say, if the result is an industrial property development.

Meanwhile, there are initiatives in manufacturing which suggest plenty of underlying demand.

The European end of the Eaton truck components group has invested £1.8m during the past 12 months in modernising at its Basingstoke plant to support the launch of a new range of light to medium/heavy duty truck gearboxes.

"This involvement is the first phase of a planned £6.8m package to position the plant as a major European supplier," says Mr George Cooper, the group's Basingstoke plant manager.

The town has scored major successes in high tech. Viables Industrial Estate to the south west of the centre has picked up names like Digital, ITT Cannon and Gould Electronics. In 1983, Motorola moved the UK activities of its communications group to new purpose-built premises on the estate.

The facility has a floor area of 120,000 sq ft, divided equally between factory and office space, and employs over 500 people. Meanwhile, Capital & Counties is looking for a similar scalp with its much praised Crescent scheme incorporating three linked, two-storey pavilions.

There are some very old, and very big industrial inhabitants. The Lilly Industries group of pharmaceutical, animal health, agrochemical and other companies arrived in Basingstoke 50 years ago.

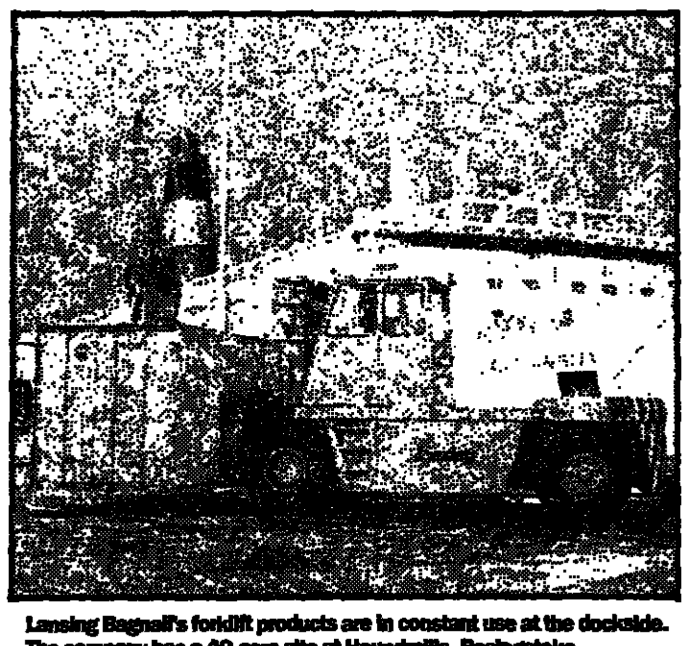
Mr Derek Anthony, manager of industry affairs, says that the group bought 23 acres on the Houndmills estate, north west of the centre, back in 1937 because the town was mid-way between London and Southampton—and its American executives, at that time, were coming in by ocean liner.

Like others, the Lilly group has been increasing its presence in the town over the past two years or so. It sees the cost of office space as reasonable; high quality people available for production and office jobs; a borough council which is very keen on development; and a business infrastructure which has developed with the maturity of the town. Lilly has access in Basingstoke, for example, to courier services, and "temp" agencies to give it cover in holiday periods.

Another long-term resident, forklift manufacturers Lansing Bagnall, moved on to its 40-acre site on Houndmills in 1949.

The company has had to go through considerable retrenchment to cope with world overcapacity in materials handling at the end of the 1970s. Last October, it initiated a £14m investment programme at Basingstoke to lower costs and improve production efficiency.

All this comes in the context of a history in which, according to Mr Larkins: "Bagnall was Basingstoke and Basingstoke was Bagnalls." "We've had three mayors," he says, talking about the company's involvement with the town, "but to me it's the behind the scenes stuff which has been more important—working with local schools, apprenticeships—we've always taken on young people."



Lansing Bagnall's forklift products are in constant use at the dockside. The company has a 40-acre site at Houndmills, Basingstoke

Hotels

Extensions needed to meet demand

"FOUR OUT OF SEVEN" is the problem for Basingstoke's hotels—an acceptable one, since the four refers to the nights of Monday through Thursday when rooms are booked to, and beyond capacity.

The local authority accepts that there is not enough space during the week. Its provision of a small hotel and restaurant within its leisure centre plans at West Ham recognises this; in addition, it says, nearly every hotel on its books is going for extensions, and more bedrooms.

Right at the top of the market, Tylney Hall at Rotherwick, six miles away from Basingstoke and maybe a dozen from Reading, is putting in an expansion programme which will lift the number of its rooms from 37 to 89, add an indoor swimming pool and health centre and restore the 66-acre garden in which the hotel is set.

Tylney Hall was part of the Celebrated Country Hotels group. But it was retained in private ownership when the other four — near Windsor, Canterbury, Worcester and Stratford-upon-Avon — were sold for £15.3m recently to Norfolk Capital Hotels.

A mansion house has existed on the site for more than 400 years. The present Hall is Victorian and gracious, rebuilt after South African gold and diamond merchant Lionel Phillips, later to become a baronet, bought the property in 1898.

The house has been described as conservative for its date, with the gardens and asymetrical tower being the only piece whose details look truly 1900.

The smoking room ceiling was copied from a 16th century model but the crowning glory was the great hall, partially panelled in Italian walnut with a fine stone fireplace and an Italian ceiling brought in sections from the Grimation Palace in Florence.

Sir Lionel spent equally freely on improvements to the grounds of his new mansion. Today, says manager Martin Lloyd-Morris, Tylney Hall represents an initial £3m investment with a further £2m to come. Its charges run from £55 a room to £150 a suite, competitive for its four-star rating.

Basingstoke industrialists say that their American visitors often prefer to stay in London and enjoy their 47-minute train ride from Waterloo in the morning. Mr Lloyd-Morris observes that a Park Lane hotel can charge £110 a single room.

THE PROPERTY MARKET By PAUL CHEESERIGHT

An awful lot of shopping in Manchester

IMAGINE 50 Marks and Spencer or John Lewis stores in a line; or 240 Boots or Woolworth shops end to end; or 85 Tescos or 130 Sainsburys.

Any of those choices would add up to about 7m square feet of shopping space; and that is the amount of new shopping facilities that developers, financial institutions and retailers would like to provide in the Greater Manchester area. It is the total of the planning applications that have been submitted to local authorities in the area in the last 12 months.

Most of them await consideration by Mr Nicholas Ridley, the Environment Secretary, or full-scale planning inquiries. Most are opposed by the local planning authorities.

Arguments about the merits of out-of-town shopping and inner-city regeneration have taken place in Bristol, Newcastle-upon-Tyne and in towns adjacent to the London green belt, but in Greater Manchester the pressure for more shopping facilities outside main town centres is arguably the most intense in the UK.

All the planning applications are for sites on the edge of or outside the town centres, reflecting changing demands from retailers as their stores get bigger and the lure of catering to an increasingly motorised public becomes stronger.

It is highly unlikely that, even if they were permitted, all of the 13 schemes shown on the map would be developed. It is one thing to spend a few thousand pounds drawing up and submitting a planning application, quite another to raise the millions to realise the project. None the less there are real problems for the retailers and for the planners.

The retailers often have major investments in the town centres and therefore only want to take part in out-of-town schemes if they are sure existing investments are safeguarded. They would not want to see a comeptitor established a couple of miles down the motorway in another centre. So there is pressure for caution: "Let my development go ahead but stop that of my rival."

The Greater Manchester planners, on the other hand, are being called on to change policy at a time when planning mechanisms are a little awry.

FIVE policy options for shopping development have been suggested to the Association of Greater Manchester Authorities in a report commissioned from Roger Tym and Partners. They are:

- **Continue existing town centre protection policy.**
- **Continue existing policy with higher investment.**
- **Approve out-of-town schemes up to 1.25m sq ft.**
- **Plan for more town centre development but allow one medium-size out-of-town scheme.**
- **Plan for more town centre development and allow a number of small out-of-town schemes.**

The metropolitan authority for Manchester was abolished on April 1 1986 and the strategic planning power for the area went with it. In its place is Manchester City Council and nine district councils seeking to keep in touch through the Association of Greater Manchester Authorities.

The association covers the city of Manchester and eight other towns in the conurbation: Bolton, Bury, Rochdale, Oldham, Ashton-under-Lyne, Stockport, Altrincham and Wigan; as well as 14 district centres including, for example, Salford and Stretford.

The way the 10 authorities handle the shopping question will be, like a similar exercise in Birmingham, a key test for the Government's policy of thrusting the main planning authority down to district and city council level while maintaining for itself a role of strategic guidance.

The coincidence of the disappearance of the metropolitan authority and the avalanche of out-of-town shopping applications suggests an attempt by developers to exploit a planning vacuum.

The local authorities were left on April 1 last year with a county structure plan which had been published in 1981 but had not foreseen changes in retailing trends. Its shopping policy was directed, above all, at maintaining and strengthening existing town centres. The plan had been modified to set down criteria for out-of-town developments, but the presumption remained that they should not take place, except in special circumstances.

To help decide what should be done about the rush of applications, the Association of Greater Manchester Authorities commissioned Roger Tym and Partners, the London development economists and planners, to prepare a study. This set out policy options, but did not seek to pre-empt any decisions the planners might wish to take. Nevertheless it told them to be very careful and gave them an agonising choice.

"There is insufficient projected consumer expenditure to support any more than modest additions to existing and proposed retail floorspace . . . . . implementation of the volume of retail floorspace represented in the nine out-of-centre proposals (Tym looked only at the biggest schemes) would be at the expense of proposed town centre developments," the study said.

Tym found that by 1991 Greater Manchester would have an oversupply of shopping floorspace of 36,000 sq ft and, by 1996, 67,000 sq ft. While there might be room for an extra 169,000 sq ft to sell durable goods by 1991 and 165,000 sq ft by 1996, there would be more space available than necessary for convenience goods shopping. The oversupply in that category would be 205,000 sq ft by 1991 and 233,000 sq ft by 1996.

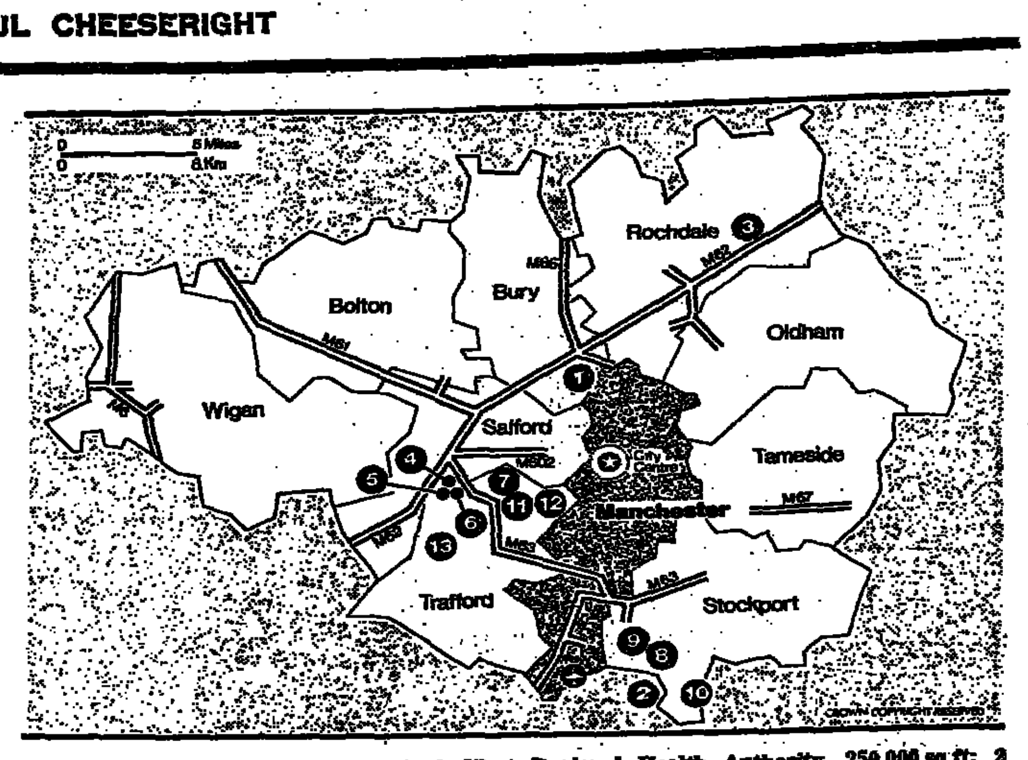
Within those totals there would be differences in space demand and supply from district to district.

There are, in short, an awful lot of shops in Greater Manchester, although Tym found that in the major district centres substantial further investment was necessary to improve facilities. Although there were no major out-of-town centres, there was a good deal of what Tym called out-of-centre retailing.

"Greater Manchester is well served . . . relative to the UK, particularly by superstore development, with more stores per head of population than the national average," the study said. Total floorspace is 1.44m sq ft for food retailing and 1.85m sq ft for non-food retailing.

The Association of Greater Manchester Authorities has so far had one formal meeting to look at the figures. It decided, partly because of what Tym said about the demand for space and partly because of the impact the big schemes would have on existing shopping, to resist the proposals.

Planners in the area wonder how long the unanimity will last. They note that some councils are more liberally inclined to new shopping centres than others—Salford's planning committee for example, which had been in favour of the development of a new regional shopping centre. Salford's planning documents indicate a fear that it might be hurt by the failure of other authorities to resist development: thus, it might as well have development itself. The full council rejected this view.



The main would-be developers: 1 North West Regional Health Authority, 250,000 sq ft; 2 Tesco/Marks and Spencer 240,000 sq ft; 3 J. & J. Fee 1m sq ft; 4 Robert Turley 200,000 sq ft; 5 J. & J. Fee 1m sq ft; 6 J. & J. Fee 1m sq ft; 7 Varity Holdings/Asda 180,000 sq ft; 8 Asda 300,000 sq ft; 9 North West Regional Health Authority/Savacentre 250,000 sq ft; 10 Spring Park Securities 300,000 sq ft; 11 Manchester Ship Canal Co 1m sq ft; 12 British Railways/Chestergate Seddon 140,000 sq ft; 13 Prudential Assurance 1m sq ft.

Unanimity, though, does not mean that the planning applications are dead. Their future depends also on how the Environment Department handles its scrutiny of the applications and what happens at the public planning inquiries, dates for which have still to be fixed.

The Government has certainly been concerned at the nationwide drive towards out-of-town retailing and the Environment Department now calls in for scrutiny any shopping applications of more than 250,000 sq ft. That is essentially a green belt protection measure, however, and only one of the Manchester applications is wholly on green belt land.

Existing planning instructions from the Government to local authorities make clear that it is not up to the planning system to inhibit competition among retailers. But that has to be seen against the injunction to look at schemes and see how they might affect nearby town centres.

Given the flow of ministerial statements about the necessity to promote investment inside the cities, that second point might be the crucial factor in deciding the future of Greater Manchester's shopping.

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Dining Room Centre	10,000	£60,000	£1m
Virgin Records	6,300	£37,800	£.687m
ELS	30,000	£150,000	£2.5m
Bejam	10,000	£60,000	£1m
Texas Homecare	45,000	£225,000	£3.75m
MFI	50,000	£200,000	£3.64m
Allied Carpets	30,000	£120,000	£2.18m
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Comet	10,000	£60,000	£1m
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Poundstretcher	10,000	£50,000	£.95m
Under Offer	10,000	£60,000	£1m
Stork Babywear	15,000	£75,000	£1.25m
ELS	40,000	£200,000	£3.33m
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THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
6	7	8	9	10	11	12

Music

LONDON

Berlin Philharmonic Octet: Mozart and Schubert. Queen Elizabeth Hall (Tue). (928 3191).

City of London Sinfonia and Westminster Singers conducted by Richard Hickox. Britten and Shostakovich. Queen Elizabeth Hall (Wed).

Royal Philharmonic Orchestra conducted by Yuri Temirkanov with Cecile Ousset, piano. Rimsky-Korsakov, Prokofiev and Shostakovich. Royal Festival Hall (Thur). (928 3191).

London Concert Choir and London Bach Orchestra conducted by Donald Cashmore. Joubert and Honegger. Queen Elizabeth Hall (Thur).

Philharmonia Orchestra conducted by Owain Arwel Hughes with Julian Lloyd Webber, cello. Tchaikovsky and Sibelius. Barbican Hall (Thur). (638 8891).

SPAIN

Madrid, Oslo Symphony Orchestra conducted by Mariss Jansons: Weber, Sibelius and Tchaikovsky (Wed). Orquesta y Coro Nacionales de Espana conducted by Muhai Tang with pianist Dimitri Alexeev: Prokofiev, *Rimsky-Korsakov (Wed-Thur).* Teatro Real, Plaza Isabel 11.

VIENNA

Vienna String Trio with Kurt Rapf, piano. Beethoven, Rapf, Leonard, Servais. Musikverein Brahms Saal (Mon).

Vienna Academie conducted by Martin Haselboeck. Haydn, Hofmann. Musikverein Brahms Saal (Tue).

Moscow Radio Symphony Orchestra conducted by Vladimir Fedoseyev with Michail Pletniev, piano. Prokofiev, Tchaikovsky, Rachmaninov. Musikverein. (Wed).

Vienna Symphony Orchestra *conducted* by Gert Albrecht. Wellesz, Bruckner. Musikverein (Thur).

PARIS

Ensemble Intercontemporain conducted by Lothar Zagrosek: Ernst Krenek, *Anton* Webern, Gustav Mahler (Mon). Théâtre du Rond-Point (4256 7080).

Berlin Octet: Mozart, Schubert (Mon). Salle Gaveau (4563 2030).

Ensemble Orchestral de Paris conducted by Tibor Varga, Daniel Catalanotti, horn: Purcell, Haydn, Tisne, Tchaikovsky (Tue). Auditorium des Halles (4562 6757).

Udo Reinemann, baritone, Hanna Schaer, mezzo-soprano, David Selig, piano: Hugo Wolf's Spanisches Liederbuch (Tue). Salle Gaveu (4563 2030).

Trio Ravel: Haydn, Brahms, Ravel (Wed). Auditorium des Halles (4562 6757).

Itzak Perlman, violin, Sam Sanders, piano (Wed). TMP-Chatelet (4233 0000).

Orchestre de Paris and Ensemble Intercontemporain conducted by Gilbert Amy and Peter Eotvos, Mary Shearer, soprano. (Thur). Salle Pleyel (4563 8873).

Nouvel Orchestré Philharmonique conducted by Mario Venanzo, *D.W.* Johnson, tenor: Mozart (Thur). TMP-Chatelet (4233 0000).

NETHERLANDS

Rotterdam, Doelen. Recital Hall: Schubert piano recital by Imogen Cooper (Wed). (414 2911).

Utrecht, Vredenburg. Recital Hall: Demian Quartet: Mozart (Wed). French and Italian Baroque music performed by La Fontegara Amsterdam: Buonamente, Frescobaldi, Boismortier (Thur). (31 45 44).

Haarlem, Concertgebouw. The Netherlands Chamber Choir under William Christie with vocal music by Sweelinck and his French followers (Thur). (32 09 94).

Groningen, Oosterpoort. Schubert piano recital by Imogen Cooper (Thur). (13 10 44).

Maastricht, Schouwburg. Chamber recital by the Guarneri Trio (Wed). (21 33 00).

Eindhoven, Schouwburg. Viktor Liberman and Jozef Malkin, violins: Spohr, Wieniawski, Honegger, Bartok (Tue). (11 11 22).

ITALY

Rome: Teatro dell'Opera: London Symphony Orchestra conducted by Georges Pretre. Dvořák and Ravel (Mon). (46 17 55).

Rome: Auditorium in via della Conciliazione: Janos Furst conducting Fauré's violin concerto (with Rodolfo Ronucci) and works by Saint-Saens and Bartok. (654 1044). (Mon and Tue).

Rome: Church of S. Agnese in Agone (Piazza Navona): Yan Pascal Tortelier with the European Community Chamber Orchestra. *Mozart,* Schubert, Haydn and Stamitz (Thur). (68 75 952).

Rome: Teatro Olimpico: (Piazza Gentile da Fabriano): Nasp Ensemble. Mozart, Bulier, Respighi, Weber and Berio (Wed) (39 33 04).

NEW YORK

Vienna Philharmonic (Carnegie Hall): Claudio Abbado conducting with Maurizio Pollini piano. National tour performing the complete Beethoven symphonies and piano concertos in six concerts starts in New York (Tue, Thur). (247 7800).

Music at the Crossroads (Whitney Museum Branch): The third annual *American Sampler* this week features Kronos Quartet performing contemporary works for string quartet (Tue, 6pm). Sculpture Court, *Philip Morris Bldg. 42nd & Park.*

New York Philharmonic (Avery Fisher Hall): Leonard Slatkin conducting, Shura Cherkassky piano. Berlioz, Rubinstein, John Adams (Tue); Mstislav Rostropovich conducting. Prokofiev, Tchaikovsky (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Christopher Hogwood conducting. Haydn, Vila-Lobos, Stravinsky (Tue). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Edo de Waart conducting. Mendelssohn, W. Schuman, Dvořák (Thur). (435 8111).

Theatre

NETHERLANDS

Amsterdam, Carré. The Nombre d'Or baroque theatre company with Peau d'Ane, a musical spectacle combining high tragedy with a happy end (Tue, Wed). (225 225).

Amsterdam, Bellevue Theatre. The English-speaking Theatre company presents Barbarians by Barrie Keeffe, a trilogy of short plays tracing the fortunes of three school-leavers, two white and one black (Tue to Thur). (247 248).

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, *like* a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. *(836 6111, CC 836 1171).*

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a *dissatisfied housewife* visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard *feminist drama;* be not put off by that. (836 9987/5645).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskat*ing folly has 10 minutes of Spielberg* movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

The House of Bernarda Alba (Globe): Lorca's last tragedy in a successful production transferred to the West End from Hammersmith. Nuria Espert, veteran Spanisch actress/director, has drilled a high-calibre cast led by Glenda Jackson and Joan Plowright into a near-authentic portrayal of steam frustration in an all-female *household* oppressed by both traditional catholicism and the peasant class system. Ultimately it's all a bit British, but the company provides a roll-call *of some of the* best actresses around – all eclipsed by the ineffably touching Julie Legrand. (437 1592).

NEW YORK

Cats (Winter Garden): Still a sellout, *Trevor Nunn's production of* T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but *also* updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. *(239 6200).*

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the *French film manages,* barely, *to capture* the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. *(757 2626).*

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable *songs, especially one played on kitchen* utensils has proved to be a durable Chicago hit. (935 6100).

She Always Said, Pablo (Goodman): *The company's associate director,* Frank Galati, created this pastiche of music by Virgil Thomson and Igor Stravinsky with words by Ger*trude Stein* and *visuals* by Pablo Picasso. Performed by 11 actors, the work features Picasso's Minotaur as well as *Picasso,* Stein and Alice B. Toklas. Ends April 4 (443 3800)

WASHINGTON

Citizen Tom Paine (Eisenhower): Richard Thomas stars in popular historian Howard Fast's look at the Thetford-born American radical's rise and fall to obscurity, in between the fame brought by Common Sense. Ends April 12. Kennedy Center (254 3670).

Exhibitions

PARIS

French drawings: At the beginning of the 18th century Louis XIV's love of the grandiose gave way to an art more intimate, more pleasing. A new generation of artists around Antoine Watteau introduced colour as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musee du Louvre, Pavillon de Flore. Closed Tue. Ends June 1. (42603926).

Rembrandt: The exhibition of 341 engravings is exceptional for the proofs showing the stages of Rembrandt's creative process and its imaginative presentation. Landscapes, genre scenes, portraits and autoportraits and biblical scenes testify to the diversity of inspiration and the technical mastery of the painter who was the first to consider engraving as a autonomous artistic expression. Bibliotheque Nationale, 58, Rue Richelieu. Ends May 3 (4703 8126).

Kokoschka: The importance of Kokoschka in the artistic movements of his times, revealed in last year's successful Vienna, The Birth Of A Century, is confirmed by this exhibition of some 80 drawings, water colours and lithographs. It explains why the artist, derided by the aristocracy and haute bourgeoisie because of his tormented, mercilessly soul-exploring portaits, left Vienna for Germany to become one of the founders of expressionism. Centre Georges Pompidou, *Closed* Tue, Ends March 22 (42771233)

Henry Moore: The exhibition of some 80 engravings and lithographs coincides with the appearance of the 4th volume of the Catalogue Raisonne of the sculptor's graphic work. The theme of the femine body predominates, often with a three dimensional effect. There are also feminine heads drawn in a classic fashion, majestic mother and child figures, architectural motifs and a series of elephants' skulls. Berggruen, 70 rue de l'Universite (42220212) from Tue to Sat. Ends March 31.

LONDON

The Royal Academy: British Art in the 20th Century is a major exhibition full of interest yet to some extent misleading. The mistake was to try and give a comprehensive overview of "The Modern Movement" – the show's subtitle. But the subject is just too big and the gaps are obvious. Concentrate on what is there, rather than what is not, and certain strengths in British Art in this century do manifest themselves. The Abstract tradition and its development deserves a show of its own, but here it is the figurative tradition, quietly expressionist, romantic and always idiosyncratic that makes its point. The British do not fit easily into schools and pressure groups of lasting or particular influence, but individuals bear comparison with the best of their foreign peers. From Sickert and Paul Nash, Gwen John, Matthew Smith and Stanley Spencer, to Bacon, Freud and Auerbach, there is much in which to take real pride. Sponsored by BP, the show ends on April 5 and moves to Stuttgart.

WEST GERMANY

Tübingen, Kunsthalle Philosophenweg 76: Toulouse-Lautrec. A retrospective of 130 paintings and picture studies by Henri de Toulouse-Lautrec (1864-1901). Ends March 15.

Hannover, Sprengel Museum Kurt-Schwitters-Platz: Pablo Picasso, the exhibition is the most complete display of Picasso's works seen in Germany, showing the 417 pieces donated in 1969 by the industrialist Bernhard Sprengel. Sprengel, who *died last year, was Germany's lead*ing collector of Picasso's works. The exhibition, with 400 graphic art prints and 17 oil paintings covers the artist's complete artistic range from 1904 to 1968, spanning cubism, classicism and surrealism, as well as Picasso's most recent works. Ends Mar 15.

Munich, Lenbachhaus, Luisenstrasse 33: Franz von Lenbach (1836-1904). The painter had himself built a Palast in the Italian renaissance style, finished in 1891. His widow then sold it to Munich in 1925. To mark the 150 anniversary of his birth, the Lenbach Villa will be redecorated with the original furniture and paintings of the artist. The exhibition displays 180 pictures and paintings in several rooms. Lenbach, celebrated above all for his portraits, studied at the academy for arts in Munich under Karl von Piloty. Ends March 29.

ITALY

Venice: Palazzo Grassi: 'The arcimboldo effect': a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Arcimboldo. Much appreciated in his own lifetime for his extraordinary *composite portraits,* in which the features of the sitter would be composed of the tools of his trade. – Pots, pans and vegetables for the cook (which turned upside-down becomes merely a still-life) or books for the librarian. – Arcimboldo spent most of his working life outside Italy, in the service of three Hapsburg emperors. Included is his arresting portrait of Rudolf II as the Etruscan god Vertumno, made up of fruit, vegetables and ears of corn. The exhibition contains works by Arcimboldo's predecessors, such as Leonardo, Durer and Posch, as well as those of artists active in the early years of the 20th century. It attempts to draw links – some obvious (Dali, de Chirico, Man Ray and Duchamp). Ends May 31.

Turin: Circolo degli Artisti (Palazzo Graneri): One hundred drawings by Rodin from the last years of his life, almost all depicting the female form, in various sapphic, narcissistic and every day poses. The drawings have been chosen by Claudie Jaudrin, the curator of the Rodin Museum in Paris, from its collection of almost 7,000 graphic works by Rodin. Ends March 29.

SPAIN

Barcelona, Edvard Munch (1863-1944): 165 lithos, drawings and his influential graphics of his large output period. Emphasis is his preoccupation with themes of life and death (friezes of life). Fundacion la Caixa, Passeig San Joan 103. Ends March 22.

Madrid, Ben Nicholson (1894-1982): English abstract painter who kept to his idioms with remarkable constancy. His *paintings* and *reliefs* are geometrically inspired and derive from the austerer forms of cubism. His abstracts remained unvarying *until well after the Second World* War, producing monochrome reliefs that relied for their effect on the interplay of finely related surfaces. *Sixty-six* works on loan by the Tate Gallery, the Moma and Guggenheim, the Kunsthaus and Phillips collection, mostly from 1919-1961. *Fundacion Juan March,* Castello 77. Ends March 29.

Madrid, Jasper Johns retrospective. Born in 1930, this North American *artist, with* Rauschenberg, was *one* of the originators of pop art influencing the course of art for many decades, 100 pieces: paintings, collages, *assemblages of objects,* plastic, metal and bronze can be seen. Centro de Arte Reina Sofia Santa Isabel 52. Ends April 5.

Madrid. Nine contemporary French artists: drawings, sculptures) murals. MEAC, Museo Espanol de Arte Contemporaneo, Paseo Juan Herrera. Ends March 22.

Madrid. Portuguese Contemporary Art. 150 works on loan by the Gulbenkian Foundation in Lisbon, include Vianna, *Amadeo* Sousa Cardoso, Almada and Vieira da Silva. Also at the MEAC, Museo Espanol de Arte Contemporaneo, Paseo Juan Herrera. Ends March 15.

Madrid, Gilbert and George. British Artists exhibit spectacular murals defined as living sculptures demonstrating daily life. Palacio de Velazquez, Retiro Park. Ends Mar 29.

Madrid, Italians 1950–1986. 47 Italian artists of the period show 56 works. Centuro Cultural de la Villa de Madrid, Plaza del Descubrimiento. Ends March 15.

Madrid, Agustin Ibarrola. Retrospective of Basque artists work, totals 1,000 exhibits: drawings, engravings, oil paintings, cardboards, woodwork of 1950-87. A mural weighting 20 tons and 200 railway tracks carefully and worked on show at the Retiro Park, Palacio de Cristal. Ends April.

Madrid, Art And Its Double. A New York Perspektive. 15 New York City artists chosen by art critic Dan Cameron, *gives a perspective* of latest trends in the US. Fundacion la Caixa, Serrano 60. Ends March 22.

Madrid, Diego Rivera. A retrospective *20th century* top exponent of Mexican art, this show offers an ample collection of his works, including a film with his fresco murals, 100 oil and tempora paintings, 110 book illustrations. Centro de Arte Reina Sofia, Santa Isabel 52. Ends June 7.

NETHERLANDS

Amsterdam, Maison Descartes: Modern Indonesia in the paintings of Jean-Pierre Giacobassi. Ends March 25.

NEW YORK

IBM Gallery: This free exhibition space brings to New York shows curated elsewhere, like the present offering of Pacific island masks and statues from the Tribal Art Centre in Basel and Mexican textiles from 85 tribal weavers. Ends April 25. 57th & Madison.

Museum of Modern Art: The first major retrospective in two decades of Paul Klee includes 250 paintings and watercolours and 50 drawings and prints, some by arrangement with the Klee Foundation in Bern which has rarely lent them (including large-format paintings from his later life). Ends May 5.

Cooper-Hewitt Museum: The design wing of the Smithsonian housed in Andrew Carnegie's Fifth Avenue mansion, features a special show on *folding fans. Organized* by textile conservator, Lucy Commoner, the fans reflected the fashions of the times during their heyday from the 17th to early 20th centuries, as demonstrated in the 50 pieces of various shapes and designs. Ends May 31. (91st & 5th Ave).

Pierpont Morgan Library: Young Queen Victoria, an exhibit of autograph manuscripts, letters, drawings and other memoribilia commemorate *the 150th anniversary* of the queen's accession to the throne. Ends April 12.

Metropolitan Museum: 90 paintings *from the end of Van Gogh's life* are the focus of this second of a two-part show of the prolific artist at Saint-Remy and Auvers. *The Starry Night and Cypresses come* from this period working first in an asylum in Saint-Remy and then in Auvers, where he committed suicide in July 1890. Ends March 22.

Museum of Modern Art: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs starts its American tour showing the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends March 24.

Metropolitan Museum of Art: The Prints of Pieter Bruegel with over 65 works consists primarily of engravings made *in* Antwerp in the 1560s, *after Bruegel paintings, but also in*cludes the only woodblock with a Bruegel drawing on it. Ends March 15.

WASHINGTON

National Gallery (West Bldg): The Age *of Sultan Suleyman the Magnificent* explores the height of art and technical development during the Ottoman Empire in 210 16th century manuscripts, *silver, gems, kaftans* and ceramics. Ends May 17.

CHICAGO

Art Institute: A retrospective of more than 150 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 60 years, with many of his famous full-length portraits, along with landscapes and *informal drawings.* Ends April 19.

Opera and Ballet

NEW YORK

Metropolitan Opera (Opera House): The week features the premiere of Turandot conducted by James Levine in Franco Zeffirelli's production with Eva *Marton, Placido Dom*ingo and John Macurdy, joining the repertory of Boris Godounov conducted by James Conlon in August *Everding's production with Stefka* Mineva, Martti Talvela, Paul Plishka and Sergei Koptchak; Carmen conducted by James Levine in Sir Peter Hall's production with Agnes Baltsa, Gabriela Benackova and Samuel Ramey; and Manon conducted by Manuel Rosenthal in Jean-Pierre Ponnelle's production with Catherine Malfitano, Neil Shicoff, David Holloway and Spiro Malas. Lincoln Center (362 6000).

VIENNA

Staatsoper (51444/2655): Idomeneo *conducted by Harnoncourt* with Ziegler, Schreier, Hollweg; Andrea Chenier conducted by Klobucar with Slania, Zampieri, Yachmi; La Bohème conducted by *Mund* with Miricioiu, Wise, Dvorsky, Hornik; Cosi fan tutte conducted by Fischer with Popp, Soffel.

Volksoper (51444/2657) Ein Walzertraum; Das Land des Lächelns; Der Bettelstudent; Hoffmann's Erzählungen.

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera production of Der Rosenkavalier by Richard Strauss directed by John Cox. Hartmut Hanechen conducting the Rotterdam Philharmonic, with Rachel Yakar, John Tomlinson, Susan Quittmeyer and Derek Hammond Stroud (Tue, Thur). (255 455).

Groningen, Schouwburg. The Nederlands Dans Theater with Frankenstein (Kylian/Gruber), Wiegelied (Kylian/Berg) and Uccelli (Duato/Respighi) (Tue). (12 56 45).

WEST GERMANY

Berlin, Deutsche Oper: La Bohème has Raina Kabaivanska in the title role. Der fliegende Holländer features Kaja Borris, Carmen Reppel, Bengt Rundgren and Gerd Brenneis. Aida, sung in Italian, has Ste*fania Toczyska, Viktor von Halem* and Giorgio Lamberti. Katja Kabanowa returns with Karen Armstrong, Ruthild Engert, Patricia Johnson and Stephen Algie. (34 381).

Hamburg, Staatsoper: Elektra has a *particularly strong* cast with Christa Ludwig, Gwyneth Jones, Johanna Meier, *Gunter Neumann and Hans* Sotin. La Traviata has Julia Varady in the title role. Le Nozze di Figaro rounds off the week. (35 1151).

Frankfurt, *Opera: La Bohème has* Alida Ferrarini as Mimi and Alberto Cupido as Rodolfo. *Le Nozze di* Figaro will be conducted by Peter Hirsch. Götterdämmerung will have its premiere this week, produced by Ruth Berghaus. The cast is led by Catarina Ligendza, William Cochran, Barry *Mora,* June Card, Manfred Schenk and Adalberg Weller. Also Der Zigeunerbaron. (25 621).

Cologne, Opera: Der Barbier von Sevilla has fine interpretations by Deon van der Walt, Carlos Feller, Janice Hall and Ludwig Baumann. (20 761).

Munich, Bayerische Staatsoper: Der Barbier von Baghdad is an Otto Schenk production. Daphne has Marjana Lipovsek, Julia Conwell, Kurt Moll and Alejandro Ramirez. (21 851).

SPAIN

Madrid, Orfeo ed Euridice with Stefania Toczyska, Judith Blegen, Paloma Perez-Inigo, a co-production with Monte Carlo opera, conductor Antoni Ros Marba, costumes by Marc Bohan, Teatro de la Zarzuela, Jovellanos 4.

Barcelona, Rigoletto with Leo Nucci, *Adriana Anelli, Alfredo Kraus* and Alfredo Zanazzo. Gran Teatre del Liceu, Sant Pau 1.

ITALY

Rome: Teatro dell'Opera: Macbeth, with Renato Bruson in the title role and Shirley Verrett as Lady Macbeth. Giuseppe Patane conducts and Giorgio Pressburger is the director. (46.17.55).

Turin: Teatro Regio: Aida, conducted by *Nello Santi and directed by Gian*franco de Bosio, with Maria Chiara, Fiorenza Cossotto and Veriano Lucchetti; Teatro Regio Ballet Company in works by Balanchine and Jean Luc Leguay. (548.000).

Trieste: Teatro Communale Giuseppe Verdi: La Fiamma, a three-act opera by Claudio Guastalla to Respighi conducted by Maurizio Arena and *directed by Carlo Maestrini.* (631 948).

LONDON

Royal Opera, Covent Garden: Colin Davis returns to the company of which he was until recently music director, to conduct the revival of Jean-Louis Martinoty's distressingly chi-chi over-busy Ariadne auf Naxos production. Newcomers include Anna Tomowa-Sintov, Edita Gruberova, and William Johns; Ann Murray returns as the composer. Last performance of the Norma, another distressing production, with Margaret Price not quite up to the formidable title role and John Pritchard an eloquent, sympathetic conductor. (240 1066).

English National Opera, Coliseum: Tosca, in the updating to late-Fascist wartime Italy, is perhaps the *least successful of Jonathan Miller's* ENO productions. Phyllis Cannan takes over the title role and Albert Rosen conducts. Further *performances of another and much jollier* Miller updating, the non-Japanese Mikado, and of Philip Glass's "minimal" opera Akhnaten; final current showing of Faust *in the company's* sparkly, theatrically zestful production by Ian Judge, with Helen Field, Arthur Davies and Ulrik Cold. (836 3161).

PARIS

L'Elisir d'Amore alternates with Prokofiev's Cinderella produced and choreographed by Rudolf Nureyev who transposes the story into the world of Hollywood with the two ugly sisters wanting to become film actresses while the leading actor pays attention only to the modest girl he turns into a star. Paris Opera (42665022).

Bellini's I Puritani: The Welsh National Opera's production sets the romantic action against a background of fortifications, and *towers* which evoke the feeling of danger, thus making Elvira's folly credible. Opéra Comique (42960611)

Don Giovanni conducted by Sylvain Cambreling in Brussels National Opera production with Jose van Dam, Ashley Putnam and Stuart Burrows. TMP-Châtelet. (4233 0000).

Ballet Moisseiev celebrates *its* 50th anniversary with a powerful representation of Spartacus and the Gladiators' games in ancient Rome. Palais des Congres (42 68 2075).

THE ARTS

Cinema/Nigel Andrews

Hustling still, to beat and bamboozle

The Colour of Money directed by Martin Scorsese
Berlin Film Festival
Whoops Apocalypse directed by Tom Bussmann
Duet for One directed by Andrei Konchalovsky
She's Gotta Have It directed by Spike Lee

Tom Cruise and Paul Newman in "The Colour of Money"

It will seem a cruel irony to those driven from their homes into the cinemas in recent months by the excess of snooker on the small screen that they are now served up with two hours of it on the large screen.

But *The Colour Of Money* is different. Here we have snooker American-style—namely pool—and coverage Hollywood-style. Instead of hushed telly-commentators murmuring over the maestro's shoulder, we have a blitzkrieg music track (Eric Clapton, Charlie Parker, Bo Didley) accompanying Paul Newman and Tom Cruise as they take on all challengers, and finally take on each other, in this splendid sequel to *The Hustler*.

In that film, you recall, Newman toured America learning the moral rough-and-tumble of playing pool for money. Now he is 25 years older and looks it; hollow of cheek, smoky-grey of hair, with matching moustache. Can youth, in the form of a young greenhorn (Cruise) spied cannoning magical balls in a pool parlour, re-ignite Newman's fire for the game? Can the old hustler find an apprentice hustler?

Answer, yes. Soon the two of them are on the road together: three of them rather, since Cruise's girl friend Mary Elizabeth Mastrantonio goes along too. She shadows Cruise's evolution as a player, freely using her charms (or the threat of their withdrawal) whenever he proves keener on instant victory than on fooling his opponents with false inexpertise until they lay out the stake money.

Soon the green baize three are flourishing like the green bay tree. And then, inevitably, personal rivalry rears up and the old pro must find out if he is as good as the new blood; both at playing to beat and playing to bamboozle.

Director and co-writer Martin Scorsese, who specialises in depicting America as an inferno (from *Taxi Driver* to *Raging Bull)*, lights the sulphur canister and the hellfire even around this sedate sport. The pool-playing scenes are wonderful visual impromptus: panning and craning cameras, coloured balls in giant close-up, sudden spurts of fast motion, slow-motion puffs of luminous chalk, like a whiff of brimstone, as cue-tip strikes ball. And the actors measure up to the *mise-en-scène*. Newman is a charismatic cormorant who chews his lines like a stick of gum; Cruise is a bird-quiffed youngster who makes noises like a demented cockatoo and performs Samurai victory dances round the table, even before victory.

But the pleasure of the movie is less what is on the screen than what is stitched just underneath: the contrapuntal patterns of morality and gamesmanship, of greed for victory and the slow cunning of delay for profit. As in *The Hustler*, the lessons we take away are not just for pool but for life. That the hustler can be hustled; that the greenhorn can surprise a sudden wisdom in himself; that games-playing is not a vacation from serious living but a witty mirror-image of it.

★

The Colour of Money opened the Berlin Film Festival, an event just ended that needed all the early colour it could get before anaemia set in. The main competition, which looked sanguine enough on paper, soon came to resemble a blood donor who has forgotten to say when.

Films of blanched indistinction jostled with movies that seemed made by some wicked parodist of European cinema. The Cracked Bear award should have gone to Jeannine Meerapfel's *Days To Remember*. This Yugo-German co-production had audiences chortling helplessly as Barbara Sukowa and Horst-Gunter Marx conduct a soulful, leadenly scripted romance across tourist Yugoslavia.

Peter Watkins's 14½-hour non-fiction epic *The Journey* promised to be the curiosity of the festival. Watkins, previously famed as an agitprop loudhailer (*The War Game, Punishment Park*), here exchanges his bullhorn for a more expansively buttonholing style. He rounds up witnesses and interviewees from across the globe—America, Africa, Australia, Russia, French Polynesia—to assemble a giant vox-pop collage on the subject of peace. Every institution representing power is quizzed, tsk-tsked over or taken to task: governments (especially Mr Reagan's), the media (especially in North America), and those who rule our schools, our money markets, our armed services. But it all adds up to a feeling of *déja entendu*: not so much a radical new social vision, more like 800 minutes in the company of a mellowed-out but still monotonously message-bearing Dave Spart.

The Golden Bear for best film went to Gleb Panfilov's eight-year-old *Theme* from the Soviet Union, hitherto banned but now unthawed by *glasnost* and receiving its Western premier. In a politically-oriented festival that more and more each year resembles a cinematic summit meeting, the winner almost *had* to be a Russian movie (just as the runner-up came from America, the Oscar-nominated *Platoon*). But *Theme* was a worthy victor. A splendid performance by Mikhail Uljanov bestrides the story of a playwright hero fallen on barren times, who visits his native village for an inspiration-recharge and gets more than he bargained for. Festival-goers at Berlin this year got rather less. But Panfilov's film—funny, caustic, vigorous, humane—was some consolation.

★

Whoops Apocalypse, a globe-hopping political romp based on the TV series, begins at full comic tilt. I especially enjoyed Ian Richardson's suavely camp Admiral, the joke about musical *condoms* (we must have some laughs in the age of Aids) and the funeral of the outgoing American president, a former circus clown. His pallbearers walk on stilts and his hearse is an exploding multi-coloured boneshaker.

But after a beginning worthy of *Airplane* the movie's comic élan turns into a staccato clatter, as if the engines have all cut out, and the film starts falling headlong towards earth. Going down with it, and at least partly responsible for the debacle, are Peter Cook as British PM (a weary re-run of his Macmillian), Rik Mayall as an SAS leader (swearing himself blind in an attempt to storm the mirthless audience) and director Tom Bussmann.

★

Andrei Konchalovsky's *Duet For One* is worse. This takes Tom Kempinski's chamber play about a violinist with multiple sclerosis and "opens it out." Instead of the agonised heroine alone with her psychiatrist, we have Julie Andrews surrounded by a clutch of new-minted characters who should have been sent straight back to the mint. There are husband Alan Bates, flouncing away in shoulder-length hair; cockney violin prodigy Rupert Everett; and handsome scrap merchant Liam Neeson who becomes Miss A's lover. "Some stud, huh?" Julie says to her girl friend when Mr N first hoves into view.

Miss Andrews boldly rushes into a role where an angel like her should have feared to tread. But at least she gets A for effort. The rest is an ill-conceived shambles, rife with bad dialogue and sore-thumb symbolism. (Is the empty wheelchair running down the hill meant as a tribue to *Battleship Potemkin's* Odessa Steps sequence? I have a dreadful feeling it is.)

★

She's Gotta Have It, a shoestring American comedy, is like a jazz improvisation for four instruments. A black girl (Tracy Camilla Johns) juggles with three black lovers in picturesquely penniless Harlem. First-time film-maker Spike Lee directs for scat behavioural comedy, like a black Woody Allen, and himself plays the skinny, bespectacled, jive-talking boyfriend who does not get the girl but does get most of the laughs. Some of the film is arch, shapeless and overlong; the rest is full of promise.

Stockhausen's "Jahreslauf"

Andrew Clements

Stockhausen has now been immersed in his *Licht* project, the music drama that when complete is intended to be performed over seven consecutive days, for 10 years. Two days have been completed—*Thursday* and *Saturday*; a third, *Monday*, is well advanced, and several portions of it have already been performed. But the first element of *Licht* to be composed was part of *Tuesday; Der Jahreslauf (The Course of the Years)* was written in 1977, and first performed in Tokyo the same year. On Wednesday it received its first British performance, played by Music Projects/London in a concert organised at the City University as part of the Ninth Annual Festival of Electro-Acoustic Music there.

Like so much of *Licht, Der Jahreslauf* is designed to have several independent existences — as a constituent of the opera (when the line up includes an actor, five mimes, four dances, a tenor and bass soloists) as a ballet (when the singers are omitted) and as a concert piece for the nucleus of 14 players, pre-recorded tape and sound projection. To complicate matters further, the score was commissioned by the Japanese National Theatre and performed first by the Imperial Gagaku Ensemble; the Europeanised version available on record and given by Music Projects replaces the Japanese instruments by their nearest, though necessarily approximate, Western equivalents.

So the instrumentation becomes trios of piccolos, soprano saxophones and harmoniums, with solo harpsichord and guitar, and supported by percussionists playing anvil, bongo and bass drum. All are amplified. The music itself separates into distinct layers, taken by the composer to represent time passing at different rates—millenia (the sustained chordal sounds of the harmoniums), centuries (the lively piccolo figuration, supported by anvil strokes), decades (the saxophones with bongo roulades), and years (the more fractured sounds of the harpsichord and guitar, underpinned by bass drum). The scoring is dense, almost congested; with constant amplification the sound becomes heavy and curiously ponderous for a composer who tends to think in light. transparent textures.

Yet the sound world is fascinating. The layer effects constantly change; the filtering out of single instruments (solos for piccolo, saxophone and guitar at various points) allows the necessary switches of perspective. Further ventilation is provided by the insertion of four episodes which bring the mechanisms to a halt temporarily and start them up again: Stockhausen calls the incidents "temptations" and the cues to begin again "incitements." They are the familiar Stockhausen "windows" that one finds in his music from *Mikrophonie II* onwards, *objets trouvés* designed to break the musical continuity, to conjure totally different emotional worlds or simply provide aural variety.

Here the windows are deliberately mundane—the ringing of a ship's bell, the sound of a motor-bike, a lion's roar—yet they break into the music with inerring accuracy. The whole concept of *Der Jahreslauf* is characteristically original; though the musical sounds themselves are not always seductive they seem part of the consistent creative vision that the best of Stockhausen's music invariably conveys. The Music Projects performance certainly presented that vision intact, often with more incisive playing of the solo parts than on the commercial recording supervised by the composer and also with the sense of ritual drama which the work's Japanese origins imprints upon it.

Villa-Lobos centenary

Richard Fairman

Yesterday was the centenary of the Brazilian composer Heitor Villa-Lobos (1887–1959), an occasion which should afford us the opportunity to dip into a representative sample of the composer's works. More would be welcome, but it is unlikely that it will be forthcoming: Villa-Lobos does not carry sufficient public favour to warrant a full-scale festival and the sum total of his output is vast.

This concert, given on Wednesday at the Wigmore Hall by the Serenata Chamber Ensemble, could only present a small selection of the chamber works, but that choice was at once entertaining and instructive. At first sight the distinctive combinations of instruments and highly personal style might lead one to suppose that Villa-Lobos would exhaust his musical language before the end of an evening, but it soon becomes clear that he will have no difficulty in filling the time with a constantly fresh supply of ideas.

The manner in which they arrive is not an orderly procession. Villa-Lobos does not put much reliance on the structure of these chamber pieces, or even a logical presentation of their material. It is the spontaneity of the music that holds the listener's interest, offering a guarantee that another striking blend of instrumental sounds or catchy, vital rhythm will reach the ear before the appeal of the one before has waned.

The *Sexteto Mistico* is full of these novel sounds, as it craftily blends flute, oboe and saxophone with the semi-percussive trio of guitar, celeste and harp. In the rhythmic brilliance of the *Quinteto em forma de Choros* the Serenata Chamber Ensemble proved themselves a lively group of interpreters. And they captured well the sultry atmosphere of the *Quinteto Instrumental*, where it is easy to imagine raindrops falling at night in a tropical forest.

For a couple of items they were joined by the soprano Jennifer Smith. In the *Poema de Crianca e sua Mama* she sang a cool and reflective lullaby. But the other piece, *Suite para canto e violino*, proved a hard nut to crack.

BBC Symphony/Festival Hall

David Murray

We had a full spread of romanticism on Wednesday from John Pritchard and the BBC Symphony, all the way into succulent decay—rather a splendid programme, such as only the BBC these days is likely to mount. There were the marks of thorough preparation, too, though an endemic scrawniness in the BBC strings does make itself felt in their Brahms. In solos there was no such weakness: Timothy Hugh's strong, warm cello sound carried the Andante of the B-flat Piano Concerto beautifully forward, without indulgent mooning, and later in Henze and Skryabin Rodney Friend's violin gleamed.

The hero in the Brahms must unequivocally be the pianist, and Peter Serkin proved fully equal to the role. Bigger, rounder tone would be an advantage, but at least for the duration of this performance Serkin's fastidious intelligence, alertness and very clean fingers seemed entirely satisfying. He neither allows any hint of routine in any passage, nor any mere quirks; and he keeps the music in a sufficiently long view that every episode (even where the piano is only commenting upon the main orchestra burden) can be heard to press the argument forward. Not always in the same tone of voice, of course: each of the four large movements had its own definite stamp from the beginning. What Serkin doesn't do is relax: the insouciant tune in mid-finale was elegantly turned, but hardly playful.

Henze's Symphony No 4, drawn more or less from his opera *König Hirsch* of more than 30 years ago, benefited from Pritchard's scrupulous attention. The half-concealed symphonic plan was kept lucid, the characteristically plangent woodwind chording told well, and each little efflorescence of solo whispers and skitters was controlled and expressive. Above all the sense of a looming aural forest, with intimate secrets and depths, was never lost (it is not merely part of the operatic setting, but something that infuses the symphonic score). It is a rich piece, of slightly disturbing appeal; I wish that someone would find a way of reviving the original opera, huge and almost intractable though it is, for it is a key Henze work.

Pritchard led a taut, grandly persuasive account of Skryabin's *Poem of Ecstasy* at a Prom not so long ago, and the performance that ended this concert was the same in essentials. Perhaps the mass of sound toward the end was not quite so well-combed (and it deserves a more sumptuous acoustic than the South Bank can provide), but the eruption was still properly overwhelming, and the mosaic-sequence of the whole score—most rigorously plotted, not at all a matter of piling on effects—was kept bright.

Moses/Drill Hall

Michael Coveney

Labelling the fringe theatre has become a hazardous business. Is it "performance art," "alternative cabaret," "minimalism," "post - Modernism," "self - indulgent rubbish"? Doubly difficult, then, to categorise the extraordinary Rose English who, in the course of her zanily hilarious new show at the Drill Hall in Chenies Street, W1, posits a major question for our divided cultural times: "Do crisps get eaten in studio theatres?"

Rose English is an unusual alternative comedienne in that she is actually funny. Her work is a curious mixture of private dream, articulated paranoia and muffled aspiration. She starts here by flying in the face of the old showbusiness adage of never working with children or dogs by working, and working supremely well, with both. *Moses* is a slightly misleading title; the central motor of the show is a diffuse meditation on *The Wizard of Oz*, the soundtrack of Judy Garland, Aunt Em and little Toto playing behind the opening picture of Ms English asleep in a four-poster bed with her dog, Sam, while her girlish alter ego snoozes on a smaller bed across the stage.

After a long silence, beds are exchanged in a protracted sequence that is her one concession to modern dance. From here the show develops in a quest for other side of the rainbow and a music hall relationship with the audience. As scenic *trompe-l'oeil* effects accumulate—a little stone grotto with running water, a boat on a revolving lake, a proscenium arch replete with footlights and red plush curtains hanging in mid-air—you feel you are watching a luxuriantly economic version of *Annie*. All the while, Ms English's anxiety about "how the show is going" rises and quickens until she calls a halt having posed another thunderous riddle, "Am I an old has-been or up-and coming?"

Ms English is six feet tall with the build of a tennis player or swimmer. At odd moments, especially when she dons an outrageous head piece of ostrich feathers and a diamante-studded cocktail bodice, she looks like Anita Lonsborough possessed by Bea Lillie. Her sense of her own physical absurdity is as refined, in its subdued middle-class way, as was Lillie's. But she is quietly odder, more mellifluous, neurotic with herself but in calm control of the audience she embraces without fear.

Two examples of her technique must suffice. Sam scampers up the aisle and is picked up by a co-operative young man. "Did Sam ask you to put him on your lap?" she snaps jovially. "I'm going to get on your lap, too" and she does, all the while weaving the issue of animal rights into the fun. After the interval, she spots a few vacant seats. "Where have they gone?" she asks, aghast, "Were they ever here?" Amid a ripple of laughter, a voice from the audience; "They were journalists." "I always wanted to know what they look like" she responds, without changing gear, "Now I know."

Alastair Muir

Rose English

The improvisation is continuously of that witty, effortless quality. The dog and the girl, Harriet Dixon, are outstanding. *Moses* moves to Oxford's Pegasus Theatre for three performances next week before returning — make a date — to the Drill Hall for three weeks on May 26.

Saleroom/Annalena McAfee

Heroine's haul

A French resistance heroine's medals and papers were bought by the Imperial War Museum yesterday at Sotheby's sale of orders, medals and decorations. The museum paid £2,200 for the lot, presented to Miss Simone Bouque for her courage in harbouring and organising the escape of 65 allied soldiers and for her work with the resistance. She received a citation from the British Foreign Office, for carying out 'dangerns and important missions with exceptional bravery and fortitude."

The sale made a total of £111,567 with only 7.2 per cent bought in, reflecting continued interest in this specialised market. The top lot was a collection of medals presented in the 19th century to Evan Jones, who served with several Welsh regiments. The medals were for campaigns in South Africa, India and Burma, but Jones was best known for his action at the defence of Rourke's Drift in 1879. An Australian private collector paid £7,150 for the medals.

An East Anglian dealer paid £5,500 for a rare collection including the KBE, CBE and DFC and Bar, awarded to Air Marshrfl Sir Leonard Slatter.

At Christie's, an exceptional collection of 81 scientific instrument bequeathed to King's College, London, by the inventor Charles Wheatstone, realised £17,875, with only five lots left unsold.

A fine 19th century ivory model eye was the top lot, fetched £1,400 against an original estimate of £800. A collection of 13 collodion on glass negatives, showing the effect of polarisation of light, was sold for £1,000—10 times its estimated price. Wheatstone invented the polar clock, the concertina and patented the first telegraph.

At Sothebey's sale of 19th century decorative arts, a pair of 1880 bronze figures of Japanese women holding lamps was bought for £20,900 by the London dealer J. Hartnell. An anonymous buyer paid £17,600 for a fine white marble group depicting the flight from Pompeii. The group was executed in 1873 by Giovanni Maria Benzoni, a pupil of Guiseppe Fabri.

A bronze group of a stallion and mare, their necks intertwined, was bought for £12,100 by a Swiss private collector. Executed by Pierre Jules Mene in 1870, the subject was first exhibited in wax at the Salon of 1852.

A Japanese buyer successfully bid for three lots: a Henry Weigele bronze and marble bust of Diana (£11,880), a pair of Sevres gilt-bronze mounted vases (£10,120) and a Waagen bronze group depicting an Arab horseman (£9,900).

Arts news in brief...

The Queen will officially open the new Clore Gallery for the Turner Collection at the Tate on April 1. It will be open to the general public from April 6.

★

The spring season at Leeds Playhouse opens on March 12 with *Pravda* by Howard Brenton and David Hare, directed by John Harrison and designed by John Hallé. This is followed by the world premiere of *Sweet Potato, Lime Pickle and Yorkshire Pud* from April 9. It is written and directed by Phil Young, who won the 1983 Evening Standard Most Promising Playwright Award with his play *Crystal Clear*.

★

The Theatre Museum, a new branch of the Victoria and Albert Museum, will be opened by Princess Margaret on April 23, the 423rd anniversary of Shakespeare's birth.

Housed in part of the old Flower Market in Covent Garden, the museum will enable the public to see the nation's huge collection of theatrical material, covering all the performing arts including panto, grand opera, mime and straight theatre.

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The way ahead for Reagan

EVER SINCE the Ancients began putting their heads on coins, there has been a general tendency to personalise political power. The art form has perhaps reached its zenith in the latter half of this century in the US. The President may be a fountainhead or an empty head, but power is expected to flow from his person in greater volume than it emanates from anywhere else, including the other twin pillars of the US constitution, the Congress and the judiciary.

Thus only a president of the US could find himself giving the sort of speech that Ronald Reagan delivered to his countrymen on Wednesday night. It was an adroit *mea culpa*, but it begged as many questions as it answered and it certainly will not prove the end of the Irangate debacle, as Congressional and other investigators pursue their trails. Nor do presidential apologias necessarily sit well with the American public. Jimmy Carter's public ruminations on the "malaise" affecting his country back in 1979 may well have marked the start of his downfall.

But *in extremis* the personality of the head of state can be separated from the implementation of policy. In looking ahead to the balance of the Reagan presidency, this may be increasingly necessary. Understandably, the White House cannot admit this publicly, for it is honour bound to try to restore the personal credibility of a damaged president. Mr Howard Baker, the excellent and long overdue choice to be chief of staff, indicated before Mr Reagan spoke that he saw this as one of his principal responsibilities.

Excellent choice

Reality, however, is that at the age of 76 President Reagan cannot be transformed overnight. Delegation remains his *modus operandi*, badly exercised as it was with Irangate, and there is too little understanding of the consequences of policy. It is hard to know what to make of one passage in his address when, in recalling his earlier denials that arms had been traded for hostages, he said "my heart and my best intentions still tell me that is true, but the facts and the evidence tell me that it is not."

There will now be many public relations exercises designed to show that the President is personally involved in policy execution. But the truth is that Mr Reagan, personally, could not negotiate an arms control treaty with Mr Gorbachev. Mr Carter might have done—he did pull off a comparable personal feat in bringing Israel and Egypt together at Camp David in 1978—but that misses the point. If the policy is right and its implementation is in good hands, the President does not have to do it all himself. The Reykjavik summit showed the folly of too much reliance on one man's talents.

What can be said is that in the last week Mr Reagan has begun to show signs of delegating sensibly. Mr Baker brings real political substance to the White House and has the chance to become, in reality, an American Prime Minister in the best sense. Quickly shifting Mr William Webster from the FBI to the CIA was probably Mr Baker's handiwork. Mr Webster is a professional, not an idealogue or a crony.

Agreement attainable

Most of all, it matters that by inclination Mr Baker is an arms controller who has come to a position of influence at a time when, thanks to Mr Gorbachev's latest initiative, a sensible arms control agreement with the Soviet Union seems attainable. The balance of power in Washington had not hitherto been conducive to an agreement and, indeed, there is unhappy speculation still that the price of Mr Baker's arrival will have to be the departure of Mr George Shultz from the State Department, so as to appease the President's hardline supporters.

Mr Shultz himself, now conspicuously absent on a not very pressing tour of the Far East, has seemed a broken reed of late and might indeed, in other circumstanecs, have offered to resign after he had been sharply criticised by the Tower Commission. But he does have the confidence of the Nato allies and he has stood as a bulwark against the more ardent hawks.

Together, Mr Baker, Mr Shultz, Mr Frank Carlucci, the National Security Adviser, and the likes of Senator Sam Nunn in Congress constitute an experienced, rational collective to whom arms control can be safely entrusted.

Levitation in the markets

NOT FOR the first time this year the markets seem to be responding to uninspiring news with singular enthusiasm. The Dow Jones Industrial Average, the Nikkei Average and London's FT-SE Index have all hit new peaks this week — no mean achievement against a background of declining growth expectations in most of the industrial world and renewed concern about Latin American debt.

Sterling, meantime, managed a robust upwards bounce yesterday despite a rather worse set of fourth quarter figures for the current account of the balance of payments than expected. Gilt-edged securities have been selling like hot cakes. Suddenly the UK authorities find themselves, in the run up to the budget, confronting the equal and opposite situation from the one they faced before the last Tory Party conference.

This time the pressure is for an early cut in interest rates; and to judge by the rigorous squeeze that the Bank of England chose to impose on the discount houses yesterday, the authorities are just as keen as they were last autumn to face it out with the markets. In the light of recent form, any attempt to second guess their tactical judgment, at least at this stage, might be foolhardy. The Bank must nonetheless be aware that the game will become more hazardous if the markets conclude that the timetable for interest rate cuts is being dictated by political priorities.

Enough room

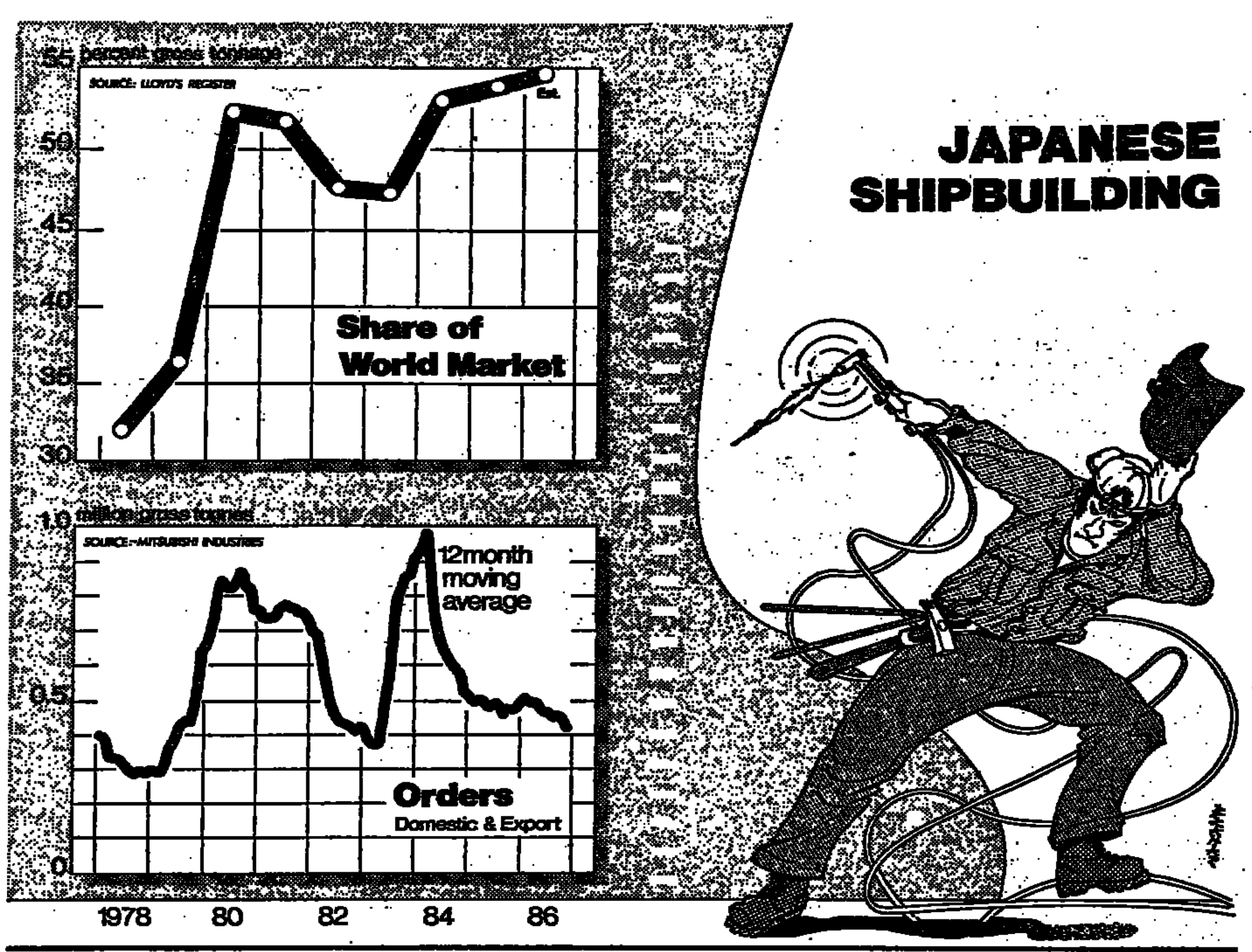
That said, the news on the British economy is far from dismal. If there is any reason to worry about the balance of payments — and one set of figures is scarcely a justification for panic — it is that the British may be doing too much to reflate the world economy, as a huge devaluation against their main trading partners in Europe takes effect. A growing current account deficit would, of course, be exacerbated if the Chancellor adopted a cut and run approach in his pre-election budget. But what the markets are saying among other things, is that budget revenues are so buoyant, on the back of the consumer boom, that the Chancellor has enough room for manoeuvre to persuade all but the most ardent fiscal conservative that he is adopting a prudent stance. More generally, they have interpreted the results of the Greenwich by-election, despite the resounding victory for the Liberal-SDP Alliance, as being moderately bullish for the Tories.

Similarly, in the US, Wall Street has managed to shrug off the more pressing problems faced by President Reagan. And while economic forecasters are not offering a particularly wholesome diet, there is, as in Britain, a marked profits upturn to look forward to in the tradeable goods sector of the economy, in the wake of another sharp devaluation. The real anomaly is not so much in the Anglo-Saxon world as in Japan, where the response to a strong yen and an inexorably rising Japanese trade surplus has been for the Tokyo market to bubble ever more preversely upwards.

Liquidity pressure

In the present economic cycle the Japanese propensity to save has been harnessed to the US urge to borrow. This does, however, leave the Japanese investor vulnerable: unlike Brazil, which does not borrow in its own currency, the US can devalue its own dollar borrowings. The result is that whenever Japanese investors panic about the dollar and divert capital flows back into their own domestic market, they make their own export sector less competitive as the yen goes up. Yet the effect of pumping more money into the domestic market is to put a higher value on dwindling earnings.

This form of levitation, in which investors chase capital gains without regard to real returns, is not an execlusively Japanese phenomenon. The enthusiasm with which buyers are bidding up house prices in the south-east of England reflects much the same kind of liquidity pressure, stemming in this case partly from the deregulation of financial markets. In neither case can it go on for ever; but nor is there yet any reason to fear a 1929-style collapse. The Japanese are finally addressing the problems of excessive saving by introducing withholding taxes. If only the British Chancellor would take comparable action in the budget to attack ta xreliefs on mortgage interest.



An ever tougher time at the top

By Kevin Brown, Transport Correspondent

AT THE Sakaide shipyard run by Kawasaki Heavy Industries on the southern Japanese island of Shikoku, there is something of an air of siege.

With the order book down to just five ships, the night shift has been cancelled, and 1,600 of the 3,600 workers will have to leave within a year.

In the number three dock, capable of housing ships of 350,000 deadweight tons, they are building electricity pylons and steel units for car parks.

"Anything is worthwhile so long as it keeps the yard busy and provides work," says Mr Hiromitsu Shinkaji, a veteran senior manager who remembers better days.

Six hundred miles away in Tokyo, officials at the Ministry of Transport are putting the finishing touches to plans for a floating island of office blocks and residential accommodation to be moored in Tokyo Bay.

This 10-storey-high land mass should make a small dent in Tokyo's soaring property prices. Its real purpose, however, is to provide work for shipyards like Sakaide.

Both the island project and the diversification at Sakaide are indications of the depth of the troubles facing Japanese shipbuilders, who have dominated the world industry since the 1960s and still accounted for 52 per cent of vessels launched last year.

Capacity cuts of 20 per cent have already been agreed between the Ministry and the Shipbuilders Association of Japan, but there is mounting evidence that this will not be enough. Behind the harmonious facade which Japan uses to screen industrial restructuring, there is a fine jousting for position as the Ministry presses for a programme of mergers which could take some famous names out of the industry altogether. No one, at this stage, is prepared to lay odds on the likeliest victims.

In addition, there are growing fears that the strain of coping with the removal of thousands of workers from the industry could pose a threat to Japan's unique system of lifetime employment.

These problems have many causes and have not occurred overnight. The industry reduced its capacity by 35 per cent during the last shipbuilding recession in 1978/79 and made a proportionate cut in its labour force.

The hope was that such a painful period of reconstruction would never have to be repeated. But Japan has not been able to isolate itself from the effects of a surplus in world shipping capacity still estimated at around 25 per cent.

The position was worsened by the second international oil shock, which raised shipyard costs, and, paradoxically, by an increase in shipyard productivity, which increased the rate at which ships could be built.

On top of that, Japan has lost increasing amounts of export business to South Korea, where shipyards have been prepared to build at what Japanese and European shipbuilders say are uneconomic prices in order to increase market share.

Shipyard wages in South Korea are around 30 per cent of the level in Japan, and the total cost gap between the two countries measured in dollars now averages about 40 per cent a ship — much too large to be offset by the better quality products most independent observers in the industry agree Japan still offers.

All these difficulties have been heightened by the rise of the Yen, which has appreciated by 36 per cent against the dollar in the past 18 months. "We cannot compete at this level, and if the Yen strengthens any further, we might as well pull out of shipbuilding altogether," says one shipbuilder.

By the end of the 1986-87 financial year, Japanese yards expect to have booked fewer than 4m gross tonnes of orders for the first time since 1978—a fall of 40 per cent on 1985-86 and only about a third of the level achieved in 1982-83.

The number of ships completed is also forecast to fall by around 15 per cent this year to 7m tonnes, while contract prices are down around 40 per cent, which means that even those orders which are being won will be completed at a loss.

With the world trade outlook dull, there is no prospect of a rapid recovery. Ship completions are expected to decline by a further 30 per cent next year, and there is no hope of an increase in prices because of stiff competition, from Europe as well as South Korea.

The overall scale of the industry's financial losses is difficult to determine since the seven major shipbuilding concerns are conglomerates and do not publish results for their shipbuilding divisions.

The scale of losses can be gauged, however, from the results of the 13 medium-sized shipbuilders, most of which specialise in shipbuilding and do not have other interests to fall back on.

These companies are expected to report losses of Y15bn (£64.3m) in the current financial year, compared to profits of Y12.2bn before tax in the previous year. The outlook for 1987-88 is even worse, with economists forecasting losses of up to Y45bn.

These circumstances are testing Japan's post-war industrial consensus to the limit.

A strong shipbuilding sector is regarded as indispensible to a national economy dependent on seaborne trade. On the other hand, neither government nor shipbuilders want to follow the European yards down the road to blatent ship construction subsidies.

This is regarded as a recipe for worsening worldwide overcapacity and permanent dependence on taxpayers' funds.

But the Government, aware of the potentially explosive effects of uncontrolled redundancies on local and regional economies, many of them also suffering from problems in the steel industry, wants to avoid a free-for-all retrenchment.

The Government's strategy, in essence, is to promote sufficient rationalisation to allow the industry to survive until the early 1990s, when conventional industry wisdom suggests a large part of the world fleet will be due for replacement.

It is in an attempt to achieve this that the Government-appointed council for the rationalisation of shipping and shipbuilding has reached agreement with the shipbuilders' association on capacity cuts averaging 20 per cent, but organised so that small and medium-sized yards with only a single dock will be spared from the cuts.

A Bill intended to put this proposal into effect is expected to emerge from the Japanese parliament in April or May. But Government officials concede that the recent appreciation of the Yen may mean it is out of date even before it becomes law.

If the Yen stays at its current level against the dollar, capacity cuts of as much as 30 per cent could be needed.

Officials say talks with the country's 44 shipbuilders are focusing on a fusion of the shipbuilding interests of some of the seven major companies to create three or four big operating units.

The remaining companies would then be encouraged to form more loosely associated groups, retaining their nominal independence, but co-operating closely in marketing and planning production. Although details are sketchy, it is acknowledged by government officials that just as in the 1979 cutbacks, soft loans and favourable tax treatment would probably be offered by the Government as an incentive for shipbuilders to accept the plan.

These proposals have not yet, however, been accepted by either the shipbuilders' association or the shipbuilders themselves. Officials admit that some companies are suspicious of merger proposals.

There is also a question mark over the ability of the shipbuilders to absorb or redeploy the thousands of workers who will have to leave the industry.

The latest Ministry estimate is that the total workforce will have to be reduced from a level of 63,000 at the end of March last year to around 37,000 at the end of March 1988 — a cut of around 40 per cent.

The intention is that employees of the major companies will move into other industrial sectors, while those leaving the smaller yards will be assisted by the Government and their former employers to find new jobs.

How this will work in practice remains to be seen, though Hitachi, which is planning to close its ageing yard at Innoshima Island, is already helping former employees to set up small businesses ranging from brandy production to taxi firms.

Both Government officials and shipbuilders insist that there will be no compulsory redundancies. Neither side is able to guarantee, however, that none of he volunteers will subsequently find themselves without a job. In spite of this, there has so far been no significant outcry from the workforce about the changes.

Mr Yuichi Watanabe, senior managing director of the Japan Ship Exporters' Association, says no severe social problems have arisen as a result of cuts which have taken place so far, but government officials admit privately that the lifetime employment system could come under severe strain if the recession deepens.

So far as the shipbuilders are concerned, that turns crucially on the exchange rate. Like other exporters, the shipbuilders have been lobbying the Government to press for a more favourable rate.

Mitsubishi, for instance, has produced a paper claiming that a yen/dollar exchange rate based on general wholesale purchasing power would be around 1:190. A target of 1:170 is regarded by most as attainable and adequate to prevent retrenchment turning into full-blown crisis.

Mr Takashi Nakaso, executive managing director of the shipbuilders' association, says the pressures create one advantage: they offer an opportunity to concentrate production on the most productive yards, albeit at the expense of some loss of market share.

"We will continue to exert maximum effort to slim down our industry so that when demand picks up again the Japanese shipbuilding industry will be able to compete on a fair basis with South Korea. We have great confidence in being able to do that," he says.

Meanwhile, the association is trying to find a way of extending automation to ship assembly in order to cut costs, and is attempting to increase demand by encouraging the production of ships which would offer owners reduced running costs by requiring smaller crews.

Japanese yards are also beginning to bid for contracts to build cruise ships—which have not been produced in numbers in Japan since World War Two but which offer one of the few brighter spots in the industry outlook.

This sector has traditionally been the preserve of European yards, however, and there are doubts even within the Japanese shipbuilding establishment about whether the necessary outfitting skills exist in Japanese yards.

About one thing, however, Japanese shipbuilders are in no doubt. Whatever the pain of the cutbacks, they expect to remain number one in the industry for the foreseeable future.

Men and Matters

California, here we come

The Confederation of British Industry is congratulating itself on having taken a highly cost-effective step to protect its members' interests.

The confederation has joined with the American Chamber of Commerce in London in an unusual — and successful — intervention in a case before the US Supreme Court in Washington.

The case did not actually involve a British company. It concerned the power of the state courts in the US to exercise jurisdiction over non-US companies with no trading presence in the US.

The CBI and the American Chamber of Commerce were concerned about the implications of the case for their members, particularly for components makers in the electronics sector whose products find their way into the US market in other manufacturers' goods.

The two organisations got the Supreme Court's permission to file a joint brief in support of a Japanese company appealing against an assertion of jurisdiction by the Californian courts.

The brief was prepared by Roger Lloyd, a former president of the American Chamber in London, Dr Melville Stephens, a London-based expert on product liability law, and Douglas Rosenthal, a Washington lawyer and an experienced Supreme Court advocate.

Stephens represented the two bodies at the oral hearing. The upshot is that the Supreme Court has allowed the appeal.

And the cost to the CBI and the American Chamber? Just $15,000—"peanuts," as Stephens points out.

"Sure, I heard the President's speech—but I can't remember what he said"

Private line

Margaret Thatcher returned from Israel last summer determined to make Britain's streets as clean as some of those where she had been welcomed during her visit.

Now the Israelis are returning the compliment by saying they want to apply British privatisation policies to about 10 of their own state enterprises — including the airline El Al.

The British Israel trade journal reveals that Zeev Refuah, director general of Israel's government corporation authority, has been in London recently to find out how British Gas and British Telecom were sold off.

His mission was somewhat delicate in view of the Israel Labour Party's participation in the present Jerusalem coalition.

Not surprisingly, therefore, the Israel embassy in London admits that, "There is some opposition to privatisation in Israel from the same quarters which, in Britain, opposed Mrs Thatcher's privatisation policies."

Political swing

A felicitous preliminary inquiry from 10 Downing Street seems to have cleared the way for its celebrated head of household, Denis Thatcher, to became a member of the Dulwich and Sydenham Golf Club.

His appearance before the club's committee, which interviews applicants for membership, produced some delightful responses from Thatcher, who apparently gained great pleasure from insisting on including a respectful "Sir" in his reply to each question addressed to him.

The view from the Dulwich clubhouse encompasses both the Thatcher residence at nearby Dulwich Gate and, on a clear day, the outline of those even more desirable properties in Downing Street.

Morton's talk

Alastair Morton, the new British co-chairman of the Eurotunnel consortium, was in Paris yesterday, displaying his francophone talents to the French partners.

His nomination as the head of the British end of the venture appears to have appeased the French, who had been dismayed by the troubles afflicting the British tunnellers in recent weeks.

Moreover, unlike Lord Pennock, the former British co-chairman, Morton speaks good French.

He is wasting no time getting down to the difficult business of preparing for Eurotunnel's £750m public share placing this summer. However, he acknowledges that if there were to be a general election in Britain during the summer the placing would be delayed until the autumn. "Which would give me a little more sleep," he quipped.

Negotiations with the French and British railways are not complete but advancing, he says. The same is the case on the £5bn loan and standby credit arrangement with some 40 international banks.

The consortium will be offering a "menu" of securities to attract investors in its public share offering, he confirms. It is likely to include a combination of straight equity with other instruments like convertible bonds, warrants, or discount issues.

Initial problems

A certain amount of irritation has been showing in the FT's letter page again over the proliferation of abbreviations for company names.

Justin Brooke, a reader who yearns for the days when companies gloried in titles such as the Plymouth Brickworks, Iron Ore, Ochre and Limestone Quarries (Ballot Tontine) Ltd., reminds me of a verse that went the rounds during a previous bout of frustration over companies that were reduced to mere initials.

Oh BET! What XTC
I always feel when UIC.
I used to rave o'er RTZ;
With LRC I went to bed.
In BHP I put my cash;
With BAT I cut a dash.
For RMC and many more
I was a keen competitor.
But now they're a non-NTT
For UXL them all, UC.

Uncertain growth

I see in the Mining Journal that staff is urgently required to, "develop and operate a new coal mine from grass roots."

Observer

POLITICS TODAY

Not talking about Jerusalem

By Malcolm Rutherford

THE BRITISH LEFT is in a state of some despair after Labour's spectacular defeat in the Parliamentary by-election at Greenwich last week, whatever Mr Neil Kinnock, the party leader, may say — and indeed is bound to say — to try to cheer it up.

There are two main questions. One is: what, if anything, can be done to retrieve the party's fortunes in the short term, with a general election only a few months away? The other is about the longer term: what is the future of socialism in this country and, even, is there a future for socialism?

The two questions can and should be taken together, for it is very unlikely that Labour will win the election with an outright majority. The only way in which it could do so would be for there to be such a desertion of Conservative voters to the Alliance that Labour would get in by default. Even then it would still have to seek wider support if it was to govern effectively and to win a subsequent election with a broader mandate.

On the more likely assumption, however, that Labour will not win, it needs to start thinking about the future now. How can it remain as the unquestioned second force in British politics and avoid ceding that position to the Alliance?

This week's edition of the New Statesman, obviously planned well before the news from Greenwich, contains a number of essays on the future of socialism. What is remarkable about them is not the number of new ideas they put forward, but the extent to which they admit that the old ideas are out of date.

Mr Julian LeGrand, who teaches philosophy at the London School of Economics, writes that "socialist solutions" used to consist of "Clause 4-type state ownership of the means of production, central planning and the bureaucratic allocation of goods and resources, and a welfare state."

He comments: "Many on the left now realise that these solutions are not really solutions at all—that in many ways they are as bad as the systems they replace."

Mr Paul Hirst, Professor of Politics at Birkbeck College, London, writes that in the winter of discontent of 1978-79 when the trade unions rebelled against the incomes policy of the then Labour Government "Labour lost its last trump card —the ability to control union wage demands."

He goes on: "Labour has now dropped a great deal of the baggage of the traditional Labour left. It is clear that extensive renationalisation, restoring the *status quo ante* for the unions, and large-scale increases in welfare benefits or spending on health and education are now out."

But, he adds, "liitte has come in to replace the institutions of social democracy that Mrs Thatcher has set about with such a vengeance. Labour may well fear to be too radical in the face of Mrs Thatcher, but it cannot remain bereft of genuine radicalism for long, and survive."

Mr Roy Hattersley, the Shadow Chancellor, claims that the real damage to the Labour Party has been inflicted by Labour's refusal "to challenge its ideological opponents head on. We have allowed privilege to disguise itself as liberty."

(Incidentally, there are two views of Mr Hattersley at the moment. The conventional one, held in the Conservative Party, is two-pronged. It is that he has delivered a hostage to fortune by predicting that the present ecnomic boom is about to burst, and that his job would have been better done by Mr John Smith. The other, held in the Labour Party, is that at least he is trying to seek an ideological base; intellectual respect for him on the left is rising, as it is not for Mr Kinnock.)

As an admission of past failure, the essays are all very interesting. Their new (or new-ish) thinking is concentrated on three main areas: an increasing internationalism; a new respect for markets; and how to identify socialism with the search for a "good society."

It is striking to find that even Ms Frances Morrell, the leader of the Inner London Education Authority and a former acolyte of Mr Tony Benn, is now rejecting an alternative economic strategy which would involve Britain going it alone, and calling instead for co-operation with European countries, including "negotiating the terms which would enable us to join the European Monetary System." She is not alone: Europeanism

has become the order of the day on the British intellectual left.

The new stress on markets has already been developed in a number of pamphlets published by the Fabian Society, one of the great survivors of the Labour Movement. It is addressed here both by Mr LeGrand and Mr Raymond Plant, Professor of Philosophy at the University of Southampton.

"Market socialism," as it is called, might mean that the role of the state is confined, in the words of Mr LeGrand, to "ensuring that markets remain competitive and to establishing that, so far as possible, everyone starts from the same place."

At one stage he goes so far as to say that such a system might no longer need unions because power would have passed to the consumer. He comments in what is probably the most radical statement in the series: "If the purpose of unions are being served by other, better means, then no one except those with a personal interest in their survival should mourn their demise." Try that at the next Labour Party Conference.

The emphasis on the need to create the "good society" comes out in practically all the contributions. It seems to consist largely of fairness, justice, the absence of gross inequality and, in Mr Hattersley's phrase, not allowing "privilege to disguise itself as liberty."

Reading the essays reminded me of something where everything that is said in this week's New Statesman is combined into one and put much more briefly and better. It is the Sara Barker Memorial Lecture delivered by Mr Denis Healey shortly after Mrs Thatcher won her first general election in 1979. That, too, was about the future of socialism.

"Socialism," he said then, was not a "compendium of abstract principles." It was a "means of giving real help to real people—through better education, higher living standards, self-respect at work and joy at play, and above all a sense of value as part of a living society."

"The central purpose of socialism," he argued, "is to use the power of government to ensure that private power is used in the interests of society as a whole. . . . We shall do best if we continue to operate a mixed economy in which the operation of market forces is controlled by the government either through legal rules or through state intervention. The *only question* (my italics) is where the boundary should be set in particular cases between state intervention and the market."

After speaking about economic policy, Mr Healey concluded: "I recognise that I have offered no simple solutions, no panaceas. Even the goal that I ask us to aim at is no new Jerusalem, simply a country with stable prices, jobs for those who want them and help for those who need it. But if we offered more, no one would believe us. If we can achieve this, we shall do more than any of our predecessors have done."

The trouble is that a lot of water has flowed under the bridge since then. The Labour Party rejected Mr Healey's claim to the leadership, though some of those who refused to support him now regret it. Part of the party split away to form the Social Democrats and then the Alliance with the Liberals. Another general election was lost in 1983 and a third loss is in prospect.

So, to return to the original question posed at the start of this article: what, if anything, can Labour do to retrieve its fortunes inthe short term?

The answer is not very much, but there are a few points. Mr Kinnock, for instance, could stop proclaiming that no good whatsoever has come out of Mrs Thatcher's administration. Hardly anyone else—even on the left—believe that: there was, after all, the curbing of inflation and the excesses of trade union power. He could concentrate on the parts of society that Thatcherism did not reach—or, some would say, all too plainly did reach: the poor and the disadvantaged.

He could stop attacking the whole of the Alliance as if it were simply Thatcherism Mark 2 and perhaps try to woo some of the Liberals away. The Labour Party might well be in need of them when the election is over.

He could try to prevent the Tories dictating the terms of the debate on local government by demonstrating that not all Labour town halls are loony. As the local government conference in Leeds showed last month, a lot of them are far from it. Indeed they and their supporters are the backbone of the Labour Party in the country.

He may—just may—find that his defence policy is not as embarrassing as it might have been because some progress is beginning to be made in arms control.

In a way, he set himself his own benchmark when he said on the BBC Radio 4 programme Analysis on Wednesday that Labour will be returned with way over 250 seats. It will be curtains for him if it is not. The party won 209 last time.

What Labour cannot do, because it would be conceding defeat in advance, is to have anything at all to do with tactical voting. It needs to maximise its vote both in percentage terms and in seats in order to remain clearly the second force afterwards. It means a lot of hard work and an end to internal griping.

Yet the Alliance cannot afford to go in for tactical voting at a general election either. It, too, needs every vote that is can get. As Mr William Rodgers, an SDP Vice-President and former Labour Minister, said in a speech after the Greenwich result it must fight not for a hung Parliament, but to win. It needs the highest possible percentage share of the vote attainable, even if it continues to fall short on seats.

The reason is that the percentage share could be one way of measuring who has come second—Labour or the Alliance —and which is the alternative government of the future. It could also help determine who is the prime mover in any further political realignment. As many on the left are beginning to admit, post-election politics will have their fascination.

Lombard

A loose rein in Bonn

By Peter Bruce

AGAINST THE wishes of the Federal West German Government in Bonn, Bavaria is threatening to introduce compulsory Aids tests for civil servants, convicts and non-EEC foreigners seeking labour permits.

The Rhineland palatinate government has sworn to vote against a cut in the top marginal rate of tax—just decided on by the Bonn coalition—when the measure comes to the Bundestag, or Upper House.

Baden - Wuerttemberg is threatening to leave the federal research and development funding structure, claiming it can do better on its own.

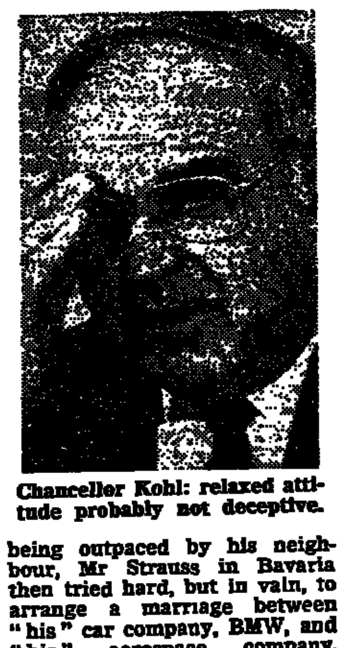
All three states are controlled by the Christian Democrat/Christian Social Union (CDU/CSU) alliance headed by Chancellor Helmut Kohl. None show him much respect. One of West Germany's most senior industrialists complained privately last week that the country's individual states were increasingly willing to cock a snook at Bonn. "The centre," he said, quoting someone else, "cannot hold."

His company, based in North Rhine Westphalia, would probably find it extremely difficult to make an important acquisition in Bavaria. The Bavarians would regard it as an intrusion and the local government, fearing the loss of influence over the target company, would try to find local buyers.

Bavaria (a lot of this has something ot do with the contempt in which the Bavarian leader, Mr Franz Josef Strauss, holds Mr Kohl) ruined Bonn's plans to part-privatise Lufthansa.

Now all 11 Laender, faced with the prospect of more majority voting being introduced in the European Community through the Single European Act, are opening up expensive lobbies in Brussels. They plan to talk on their own, not just through Bonn.

Inter-Laend rivalries have reached ridiculous proportions. In Baden-Wuerttemburg, Daimler Benz, with state government assistance, transformed itself from a builder of quality cars and commercial vehicles into a giant technology consortium by buying AEG, Dornier and the aero-engine producer, MTU, in the space of 18 months.



Chanceller Kohl: relaxed attitude probably not deceptive.

Fearing that he might be being outpaced by his neighbour, Mr Strauss in Bavaria then tried hard, but in vain, to arrange a marriage between "his" car company, BMW, and "his" aerospace company, Messerschmitt-Bolkow - Bloehm (MBB).

Another remarkable incident was the surreptitious sale of submarine blueprints to South Africa in 1984 and 1985 by a consortium in Schleswig Holstein. They made their last microfilm delivery to the South African Embassy in Bonn the day after the federal economics minister had expressly instructed them not to.

The Laender behave like sovereign states because Bonn seems to be weak. Business, especially, accuses Mr Kohl of taking too long to make decisions, or of not making them at all, and his relaxed attitude to running Germany is probably not deceptive.

Decision-making often seems arbitrary. Participation in SDI research had to be decided before an Easter. Anti-strike legislation had to be agreed on before a Christmas. Last month, tax cuts had to be decided on in outline before the start of Carnival.

Mr Kohl's aides used to enjoy drawing parallels between his relaxed style in office and Ronald Reagan's. They no longer do, perhaps acknowledging that the looser leaders hold their reins, the greater chance they have of tripping over them.

Letters to the Editor

Respectability for R & D

From Mr R. Munson

Sir,—I was glad to see the letter from Mr Howling (March 3) advocating the disclosure of R & D expenditure and its carry forward as an asset if its value can be justified. Indeed, I made an identical plea at the Institute of Chartered Accountants' conference on February 27.

The almost universal practice of writing off R & D expenditure immediately may be impeccable in terms of accounting prudence but at the expense of accountability.

If the board of directors thinks that its R & D expenditure has no future value, then it should say so and the expenditure should be written off in the accounts. If the board of directors thinks that its R & D expenditure does have a future value, then (like any other expenditure that has a future value) the natural consequence is that it should be carried forward and accounted for when that value is realised.

If the board has no view on whether or not its R & D expenditure has a future value, then shame on it.

The same principle can be applied to all development expenditure (be it spent on people, products or markets), whether laboratory-based or not, which if successful leads to a high market value for companies' shares but which is completely ignored in the accounts.

R. J. Munson.
Coopers & Lybrand,
Plumtree Court, EC4.

Living with history

From Mr C. Meakin

Sir,—The views of Prof Layard are presented (March 3) as a Keynesian backlash against market capitalism. That is always the trouble with Keynesian apologists: they are so much more certain on what they are against (the market) than on what they would put in its place (the anti-market).

If the fund managers researched by Prof Layard (they come in all shapes and sizes) are investing in stocks with a one-year horizon instead of a desirable five-year horizon, then presumably that is because the savers who are their customers demand things that way. It is not a failure of market capitalism.

If companies have been choosing to take a short-term view when investing, that presumably is because the body politic obscures any more distant horizon. Companies would much prefer to take a longer term view. Their collective spokesmen have in recent years even objected to the shortness of the 4-5 year electoral cycle. The throttled gasps of British manufacturing industry in the 1960s and 1970s were above all a plea to (Keynesian) governments to allow a clearer view of the destiny of the industrial system. Should anyone seriously doubt that and wish to research it, the historical evidence is voluminous.

Today we are all paying the price for the industrial judgments of our successive governments, acting on Keynesian principles. Other countries, where MITI rules and where Walter Mitty never reached Downing Street, are reaping the benefit. With all the will in the world one cannot put in place long-term corporate investments which were ducked, however reluctantly, in 1977, and enjoy the proceeds in 1987. Industry pointed out the damage that was being done at the time (has anyone read recently all the submissions made to the Wilson Committee a decade ago?) and the City agreed. Now Prof. Layard pops up and tells us all it was their short-sighted fault.

Christopher Meakin,
59 Court Lane SE21.

Foreign language students

From Mr G. Goulden

Sir,—I was interested to read (February 21) Michael Dixon's article on language courses. He is however, wrong when he states that entries for the foreign language examinations of the Royal Society of Arts have declined over the past year. In fact entries for these examinations were: 1985-1986—4,658, 1984-85—4,577, not a large rise, but then certainly not a decline.

Graham Goulden,
Royal Society of Arts,
John Adam Street, WC2.

Jobs for whom?

From Mr L. Littman.

Sir,—Your report (February 25) of the English Tourist Board's plans to boost government investment with the aim of creating 250,000 jobs in tourism, raises the question "jobs for whom?"

At the moment, hundreds of thousands of foreigners are employed in catering in this country, for the simple reason that British people do not seem to want to work in the industry. They do not even enroll in the training colleges that exist to make them fit for trained jobs in it.

It would be more to the point if government could find out why so many Britons prefer to live on the dole and on welfare payments, than work in this industry. I suspect that the level of income tax, coupled with the ease in getting the welfare state to support them, is the prime cause, and not lack of government investment.

L. T. S. Littman,
Palace Court Hotel,
Bournemouth, Hants.

Losing by 474 votes

From Mr S. Guebenlian

Sir, — Your editorial of February 28 said "Greenwich was a dead loss for the Tories from the start. . . . There was no point in voting Conservative . . . if you wanted to influence the result." Yet the actual voting figures show that by "tactical" voting, the Tories probably missed the opportunity of snatching Greenwich from Labour by 474 votes!

The total number of votes cast for the three parties (after subtracting the 698 "others" vote) was 33,815. Labour's actual share was 11,676. Had the Conservatives solidly voted Conservative, aiming at their 1983 general election result (there was little if any tactical voting then), they could have easily attained the 12,150 votes they then scored. This would leave 9,989 votes for the Alliance and the by-election result would have been:

Conservative ...	12,150
Labour	11,676
Alliance	9,989

Conservative gain from Labour by 474 votes.

This is of course based on the hypothesis that the Tories would attain their 1983 (second to Labour) voting strength — hardly, you may agree, an exorbitant expectation in a marginal seat with a general election on the horizon. In fact there should be no reason why they should not: after all, much more high-powered electioneering attention was concentrated by the Tory hierarchy on Greenwich than could be reasonably expected during a general election; they had a politically unblemished candidate with local experience, and behind him stood a Tory government with a massive parliamentary majority, all the right policies, years of solid economic achievement, plus impending tax cuts in the budget.

Instead of offering such a glittering bandwagon to the Greenwich electorate — and perhaps picking up a number of sympathisers from the other parties in the process — they preferred to jump on the bandwagon of the Alliance which they don't particularly relish.

And they missed an opportunity of unseating Labour and pushing Alliance into third place.

S. Guebenlian.
Penthouse B,
Ross Court,
Putney Hill, SW15

Proportional representation

From Mr N. Wigdahl

Sir,—Malcolm Rutherford (February 27) cites three objections to the adoption of proportional representation in Britain. They are that there would be a sterling crisis, that the House of Lords would need reforming and that there would be unholy alliances created on constitutional questions, resulting in a jamming of the political process.

The first two objections highlight the problem of political uncertainty and industrial performance. Many economists tend to hold the inconsistent views that on the one hand the increasing interdependence of the world economy ensures that there is little that governments can do to affect national economic performance; while on the other knowing that the money markets have field days on the prospect of political uncertainty. The inconsistency is usually explained by pointing out that the former view relates to the long term view, the latter to the short. If, however, one believes that a system of PR could, among other things, contribute to the construction of a more stable industrial policy, the lack of which is particularly apparent in the schizophrenic turnings of the Government, then surely "cost" of a sterling crisis would be more than offset by the long-run benefits.

With a sterling crisis "dwarfing almost everything else," reforming the House of Lords presumably would not make things worse and in fact would be thoroughly beneficial. People on all sides recognise the value of a second chamber but are unhappy with its composition which has allowed Tory governments to call in the backwoodsmen when seriously threatened.

The last criticism is the most valid, but in assessing any political system account must be taken of underlying social attitudes. Opponents of PR cite the chaos of the Eire political system, while proponents the stability of Germany. Confidence in a political system is one factor in national success and it is apparent in Britain that that confidence is waning. A change to PR could be one step towards regaining that confidence.

Nicholas Wigdahl.
76 Sternhold Ave, SW2

FINANCIAL TIMES
Friday March 6 1987

Italian Communists go commercial

BY ALAN FRIEDMAN IN MILAN

IF THE term "Communist merchant bank" seems contradictory, never mind. This is Italy, where the country's Communist Party often has more in common with the *Democratic Socialist* movement elsewhere in Europe.

The unusual financial institution to be born this morning is indeed a merchant bank. It will be called Finec. The new bank will be 70 per cent owned by the Communist-leaning Lega delle Co-operative (National Co-operative League) and 30 per cent owned by the IMI state credit institute. It will have an initial capital of L10bn ($7.7m), to be increased to *L50*bn within a year.

Italy's Communists represent the country's second biggest party, with nearly 30 per cent of the national vote. They come from all walks of life, although many are blue collar workers. Being Italian, as well as Communist, they are as interested as anyone else in a capital gain on the stock market or a profitable outlet for *their savings*.

Their interest in capitalist investment tools became obvious in late 1985, when L'Unita, the official Communist Party newspaper, began publishing an extensive listing of stock market and bond market prices. It did so in response to hundreds of letters from faithful readers demanding the coverage.

Then, as if to underscore the fact that Italy's Communists were not prepared to be left out of the country's investment boom, Unipol a large communist insurance co-operative, made its debut on the Milan bourse last year with a fully subscribed share issue raising L68bn.

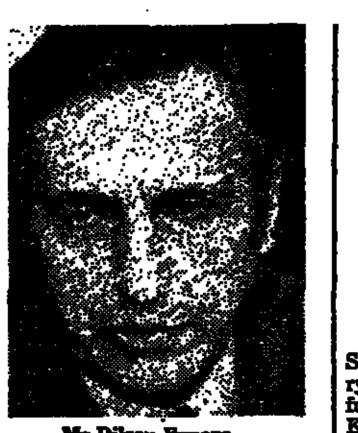
Today's launch of Finec bank is the latest indication of just how enterprising Italy's Communists can be. The *institution* will go down in history as the first communist merchant bank founded in the West.

The idea of the bank, according to an official of the Lega delle Co-operative, is to offer merchant banking services, such as corporate finance, investment advice, and the flotation of companies onto the equity market.

*Fi*nec will have a natural client base in the Communist, or as some members prefer to call it "left-leaning" co-operative movement. The Lega delle Co-operative estimates it has at least 15,500 separate business concerns which range from agriculture to engineering. Their combined turnover last year topped L22,000bn. These predominantly small businesses employ about 250,000.

Unipol, which had premium income of about 640bn last year, is to be a prominent member of Lega's shareholding consortium in Finec.

The merchant bank will be one of *several expected to be formed* in coming months now that the Government has set new guidelines for merchant banking. The Communists, therefore, will have an institution to compete with new merchant banking ventures from rather more capitalist organisations such as Kleinwort Benson, Chase Manhattan and Banca Commerciale Italiana. As one executive involved in the new venture put it: "Why not?"



Mr Dilson Funaro

Funaro gets cool reception on debt

By Alexander Nicoll in London

MR DILSON FUNARO, Brazil's Finance Minister, has wrapped up a week-long round of visits to government officials in the US and Europe, during which he received *little* encouragement for the country's call for a radical new approach to its $104bn foreign debt.

The purpose of his tour, which included the US, Britain, France, West Germany, Switzerland and Italy, was to explain Brazil's unilateral suspension of interest payments on its $68bn debt to banks, and not to make specific requests for new financing.

Bankers believe Mr Funaro hopes to win assurances of greater official funding as part of a long-term solution to Brazil's payments problems. With support from governments, he would then have a stronger hand in negotiations with banks on new financings and debt reschedulings.

In Britain, Mr Nigel Lawson, Chancellor of the Exchequer, pointedly told Mr Funaro that Brazil should negotiate with the banks; that it should produce a convincing economic programme; and that an agreement with the International Monetary Fund (INF) would be helpful. Brazil has refused to negotiate an IMF accord.

The message from US and West German officials was similar, although in Paris Mr Funaro said he received assurances of sympathy from Mr Edouard Balladur, the French Economics Minister.

Specific talks on Brazil's bank debts are not expected to begin for some time.

The banks' current focus, however, is on Argentina and the Philippines, both of which are negotiating financing packages with their bank advisory committees in New York. Both are expected to win a reduction in interest rate margins, but no indication has yet emerged on the talks' progress.

THE LEX COLUMN

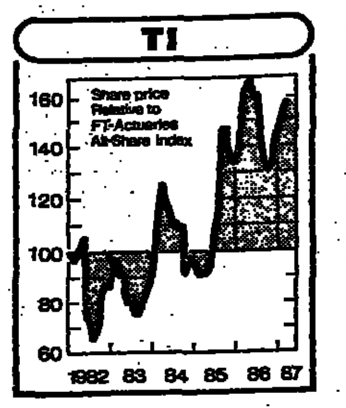
Mercury launches satellite

Now we know. It was not Mr Saul Steinberg who was pushing Mercury International into floating off its fund management arm. It was Sir Kenneth Berrill. In order to come up with the £35m of extra capital that the SIB is likely to demand of Mercury Asset Management, it is a logical step to float the subsidiary with effective rights issue, rather than to shift funds out of more genuinely capital-hungry businesses within the group.

The 12p fall to 373p in the parent's share price does not so much reflect the fact that the proposed capitalisation of MAM is lower than expected, as that MIG shares have *now lost the right* to claw back MAM shares which were priced to go. And at 11.3 times the earnings forecast for the year to March, there should not be any refusals from those who can exercise the claw back provisions.

Unlike Kleinwort Benson, which a few months ago sold part of its holding in M&G, Mercury is not selling shares it owns, and so has no incentive to price the issue tightly. Also, a 30-day underwriting period for a stock which is a highly geared option on the equity market encourages a certain caution. In any case it *is* correct that MAM be priced at some sort of discount to the other quoted fund management companies. It is much more dependent on pension fund business than unit trusts, which means lower fees and less loyal customers. Indeed, three clients account for about 17 per cent of the stated funds under management.

Mercury is well known for its expertise in continental markets, so its acknowledgement of about £90m in balances overdue from brokers in Italy and Spain should sound warnings for shareholders in other fund management companies. *MAM has provided against* potential losses on this score within the stated profits forecast, but is not prepared to extend its liberality with information to quantifying the provision.



Shell

The great thing about Anglo-Dutch companies is that the market can speculate endlessly about *whether the dividend paid to share*holders in the British arm of the group will reflect the full benefits of linkage to the payout to Dutch nationals, in periods of sterling weakness against the guilder. Shell was very cute in keeping the market guessing on *this* score, so that the decision to pass on the full dividend out of the *Shell Transport holding* company was greeted with a rise of £¾ to £11¾ in the share price.

In fact it would have been eccentric to have retained cash in a dividend-holding company which could only leave the money on deposit. Particularly so, as the operating companies are rather long on cash. Last year, one of the most *difficult* trading environments that the oil industry is likely to encounter this century, Shell generated £1.44bn of *cash. Liquid funds now stand at* £6.4bn. On grounds of balance-sheet synergy, if for no other reason, Shell would appear to be the natural buyer for Dome Petroleum, presently on the market, C$6bn of debts and all.

TI

Shareholders in TI ought to be extremely grateful to the Abdullah brothers, who *had the wit to sug*gest pulling that company apart. Now that TI's own board has done most of the things that the Abdullahs recommended, the share price has responded more violently than it ever did to the threat – or promise – of a takeover.

While everyone must applaud the decision to free-wheel out of bicycles, however horrible the cost below the line, it is a lot less clear that the planned exit from domestic ap*pliances is* such an admirable *trick*. Selling off Creda and the other white goods operations – a business in which TI has been making good money, and generating a return on capital in the region of 40 per cent – is in effect a substitute for the rights issue that TI would hate to be seen *to* have, and much more popular. Since it may prove difficult for TI to reinvest the proceeds in activities of comparable return, the danger of dilution is not removed, even if there is merit in avoiding possible white-goods warfare against much larger international *specialists* such as Electrolux.

Whatever the outcome, spare a thought for the Abdullahs, who placed their stake more than 200p below yesterday's 588p.

Jaguar

It is difficult to rate a company when it does all the right things but its earnings nevertheless go down. *Jaguar's devoted band of sharehol*ders, 49 per cent of them in ADR's, are loath to sell despite the probability that the multiple well rise yet again this year. And that is after a 5 per cent fall in earnings per share in 1986 put it at 12.9 *historic* with the shares at 596p, down 15p yesterday.

The problem in 1986 was that all Jaguar's good efforts in selling more, higher-priced, efficiently-produced cars were wiped out by *the costs of doing so*.

A £12.3m rise in the R and D spend and a £14m increase in the depreciation charge, reflecting the much-needed capital expenditure, left profits unchanged. Those costs will rise again in the current year.

Even worse, the falling dollar is at last working through to Jaguar; its hedges gave an effective $1.28 exchange rate in 1986 but that will be $1.40 or so in 1987, leaving yet another big adjustment in 1988 *unless the dollar suddenly strength*ens. And the 1987 tax charge will be nearer 38 per cent than last year's 31 per cent.

The first half will be especially difficult when the US launch of the new XJ6 will disrupt production and cost £9m. But then the benefits of selling increasing numbers of cheaper-to-make cars at even higher prices, taking market share from the West Germans and paying much less in US fuel in efficiency *takes, start to arrive*. The shareholder waiting-time is nearly as long as that for the cars.

UK court setback to womens' pay bid

By David Brindle and Raymond Hughes in London

THE USE by women workers of British legislation providing for equal pay for work of equal value suffered an important setback in the Court of Appeal yesterday.

In the first judgment of its kind at Appeal Court level, it was ruled that the entire remuneration package – not simply wages or salary – should be considered in determining equal-value cases.

The court held that Miss Julie Hayward, a canteen cook at the VSEL consortium's Cammell Laird shipyard in Birkenhead, Merseyside, was not entitled to equal wages with skilled male manual colleagues because her employment package had not been taken into account.

Her claim for equal pay with a painter, a joiner and a thermal insulation engineer had been the first to be upheld by an industrial tribunal under the 1984 amendment of the Equal Pay Act 1970.

The Employment Appeal Tribunal had overturned this decision, arguing that to neglect the overall remuneration package would cause "widespread chaos" in industry as, for example, manual workers claimed staff benefits once women staff had successfully claimed equal wages.

The court yesterday agreed with this view. Lord Justice Nicholls said: "Pay is not defined in the Equal Pay Act 1970, but we are unable to discern any reason why, if a cash bonus has to be brought into the comparison exercise, bonuses in kind should not."

The ruling was criticised as "unhelpful and disappointing" by the Equal Opportunities Commission, which has backed Miss Hayward's case along with her trade union, the General, Municipal and Boilermakers' Union.

Hay-MSL, the management consultants, said the ruling left industrial tribunals to assess the worth of non-pay issues such as sickness benefit. The tribunals were not qualified for this task.

Miss Hayward was refused leave to appeal to the House of Lords, but she may take the case further on the grounds that her sickness benefit – assessed by Cammell Laird as worth £16.95 ($25) a week – is irrelevant if not actually used.

The equal-value legislation's effect may be further qualified in a second forthcoming judgment in the Appeal Court. In this case, Pickstone v Freemans, the mail order company, the appeal tribunal has ruled that the legislation cannot apply if one or more male workers receive the same remuneration package as a female claimant.

In a third case, brought by female speech therapists in the National Health Service, an industrial tribunal has held in effect that all 1m NHS employees fall outside the legislation's scope

British Coal bid for Indian deal backed by £52m of state aid

BY JOHN ELLIOTT IN NEW DELHI

BRITAIN has offered India grants of up to £52m ($81m) to help a part*nership* led by a *unit of state-owned* British Coal win an order to develop a coal mine at Ghusick in West Bengal.

The deal, agreed in principle between the two governments, would mark the first time that a British nationalised industry has accepted a leading contractual role for a foreign project.

British Mining Consultants, part of British Coal, would team up with Cementation, a Trafalgar House subsidiary to develop the mine which has a projected annual output capacity of 2m tonnes for 75 years.

UK Government officials say the decision to give British Coal the leading role *in the £90m project* reflects India's preference for carrying out major public sector projects on a government-to-government basis.

It means India will be prepared to negotiate the contract without insisting on the work going out to time-consuming competitive tender in the UK.

British Steel's recent refusal to accept contractual responsibility on a project to modernise India's Burgapur steelworks was one of the factors which stopped the UK winning a package deal contract worth $920m.

India needs foreign technical expertise and equipment, backed by financial aid, to help it more than double its annual capacity of coal from 166m tonnes now to a target of over 400m tonnes by the year 2000.

The Ghusick project is one of the first in a series being negotiated with various countries including France, West Germany, Canada, Australia and the Soviet Union.

The turnkey contracts will cover the *design, construction and equip*ping of the mines together with guarantees of production of an agreed quantity of coal for three to six months after commissioning.

Coal India, which runs the mines and is government-owned, hopes that this arrangement will enable it to escape from past specification and production problems that have occurred with the mechanisation of older mines which have equipment mainly supplied by British companies. It will take over production responsibility after the guarantee period, possibly negotiating a follow-up consultancy deal with the contractor.

Peter Montagnon in London adds: If accepted, the £52m grant will be one of the largest single aid awards to India ever. In 1985, the last year for which full figures are *available, Overseas Development* Administration aid to India totalled only £106m.

The high level of grant reflects the UK's standard practice in India which is to cover the entire offshore *costs of any project for which trade-*related aid is given.

However, this is a policy which has begun to attract criticism from some exporters who feel that Britain's aid effort in India is concentrated too generously on a limited number of specific projects.

Deutsche Bank prices Hochtief shareholding to raise DM760m

BY ANDREW FISHER IN FRANKFURT

DEUTSCHE BANK yesterday began a DM 760m ($413m) placement of shares in Hochtief, the West German construction concern, having previously bought a 25 per cent stake from the Finck family in Munich.

The bank said it bought the 1m shares from the family's investment management arm, von Finck'sche Industrie-Beteiligungs-KG, in order to place them through an international banking consortium.

The deal had been widely expected in the market, and the Hochtief shares were suspended yesterday ahead of the announcement. The Finck family, which also owns Bank Merck Finck, the country's third-largest private bank, has not indicated why it sold.

The placement price of DM 760 is *below the DM 901 at which the* shares closed on Wednesday before the suspension. The bank said this reflected the widening of the market in Hochtief shares – until now, only 11 per cent have been freely traded – but analysts said it could also reflect the downbeat tone of last week's report to shareholders by the group.

The Essen-based company said 1986 profits were lower, although it gave no details. It said, however, that "a good dividend" would be paid. In 1985 net profits fell from DM 227m to DM 193m, and shareholders received a DM 10 payment per share plus a DM 2 bonus.

In 1987 Hochtief said domestic business was likely to be less favourable than generally forecast while foreign business would also remain weak in the face of tough competition which had depressed prices.

The company's biggest shareholders is Rheinisch-Westfälisches-Elektrizitätswerk (RWE), the power utility, with 39 per cent. A further 25 per cent is held by an investment company owned by the Allianz insurance group, Münchener Rückversicherung (Munich Reinsurance), Commerzbank and RWE.

Hochtief owns 20 per cent of the Philipp Holzmann construction concern, in which Deutsche Bank also has a 35 per cent stake. At the DM 760 placing price, Hochtief is capitalised at DM 3.04bn. Deutsche Bank said yesterday that invitations were still going out to German and foreign banks to join the consortium, with most of the shares expected to be bought by German investors.

Bonn urged to loosen telecoms grip

Continued from Page 1

The right-wing Christian Social Union of Bavaria, led by Mr Franz Josef Strauss, will oppose any threat to the *Bundespost's* transmission and switching monopoly while the liberal Free Democrats will probably be disappointed at the decision not to recommend an immediate start to competing networks.

As they stand, however, the recommendations, if implemented, would go a long way towards dampening fierce US pressure on the Germans to liberalise their telecoms market.

US companies complain bitterly about how hard it is, in competition with local groups, to win orders from the Bundespost or how expensive it is, when possible, to offer services.

Washington has been talking to Bonn about telecoms for more than two years and has threatened retaliatory action if the West German market is not made more open.

That has not stopped the West German equipment producers, who have a seat on the commission, from opposing the establishment of private networks. They fear such networks might not order from them at the same comfortable prices they have, for years, won from the Bundespost.

The BDI, the country's main employer organisation, which also has a seat on the commission, however, is actively pressing for the establishment of networks to compete with those of the Bundespost.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	8	46	Dubrovnik	S	4	39	Malta	C	11	52	Rhodes	F	5	41
Algiers	S	20	68	Edinburgh	R	5	41	Manchester	R	5	41	Rio de J'o	S	32	90
Amsterdam	S	0	32	Faro	S	20	68	Manila	S	32	90	Rome	F	8	46
Athens	F	3	37	Florence	S	6	43	Melbourne	C	28	82	Salzburg	S	-4	25
Bahrain	S	21	70	Frankfurt	S	-1	30	Mexico City	C	20	68	San Francisco	R	12	54
Bangkok	S	34	93	Funchal	S	22	72	Miami	F	21	70	Seoul	S	16	61
Barcelona	F	14	57	Geneva	F	3	37	Milan	S	3	37	Singapore	F	28	82
Beirut	R	20	68	Gibraltar	S	19	66	Montreal	S	-16	3	Stockholm	S	-10	14
Belfast	F	7	45	Glasgow	R	4	39	Moscow	Sn	-11	12	Strasbourg	S	0	32
Belgrade	S	-5	23	Guernsey	F	7	45	Munich	S	-5	23	Sydney	C	24	75
Berlin	C	-3	27	Helsinki	S	-13	9	Nairobi	F	32	90	Taipei	S	26	79
Biarritz	S	13	55	H. Kong	C	23	73	Naples	F	5	41	Tangier	S	19	66
Bombay	S	35	85	Innsbruck	F	-1	30	Nassau	—	—	—	Tel Aviv	F	17	63
Bordeaux	C	7	45	Inverness	R	4	39	New Delhi	S	25	77	Tenerife	S	23	73
Brussels	S	2	36	Islamabad	C	21	70	New York	S	-2	28	Tokyo	S	20	68
Budapest	C	-5	23	Istanbul	Sn	-4	25	Nice	C	8	46	Toronto	S	-5	23
B. Aires	R	32	90	Jakarta	R	32	90	Nicosia	R	18	64	Tunis	C	16	61
Cairo	F	19	66	Jersey	S	8	46	Oporto	S	17	63	Valencia	S	21	70
Cape Town	S	24	75	Jo'burg	S	27	81	Oslo	S	-8	18	Venice	S	2	36
Caracas	C	28	82	Lima	S	26	79	Paris	C	2	36	Vienna	S	-7	19
Casablanca	S	22	72	Lisbon	S	20	68	Peking	F	6	43	Warsaw	Dr	-6	21
Chicago	S	3	37	London	F	7	45	Prague	S	-5	23	Washington	S	-3	27
Cologne	S	0	32	Los Angeles	C	16	61	Reykjavik	R	6	43	Zurich	C	-2	28
Copenhagen	F	-6	21	Luxembourg	S	-2	28								
Corfu	F	7	45	Madrid	S	18	64								
Dallas	S	4	39	Majorca	S	16	61								
Dublin	C	8	46	Malaga	S	21	70								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Bonn submarine drive

Continued from Page 1

time, however, HDW had successfully withstood competition to emerge as one of two "finalists" in an Australian effort to find between six and eight non-nuclear submarines to modernise its navy.

Since the blueprint deals with Pretoria became known late last year, anti-apartheid lobbyists have been pressing Canberra not to buy the German submarines. One senior lobbyist said yesterday that the Australian response to these efforts had been positive.

Mr Bob Hawke, the Australian Prime Minister, is one of the West's most vocal opponents of the Pretoria regime.

The anti-apartheid lobby is also preparing to speak to the Saudi Arabian Government, which is looking at tenders from a number of countries, West Germany included, keen to supply it with eight submarines.

Meanwhile, Maj-Gen Joseph Garba, a former Nigerian Foreign Minister and now the Nigerian Ambassador to the UN, is scheduled to see the West German Foreign Minister in Bonn on Monday to ask what action is planned against the yard for selling blueprints to South Africa.

The West German Government, which claims it knew nothing of the deal, has been deeply embarrassed by it and the South African ambassador in Bonn has been called to the Foreign Ministry at least once to explain his embassy's role

UK authorities resist cuts in interest rates

Continued from Page 1

recent rise is soundly-based and not simply the result of the post-Paris environment or a bandwagon of pre-Budget optimism.

On balance, financial markets believe the authorities can manage to resist cutting rates until they are ready. In January 1986, the Bank of England raised base rates by one percentage point and staved off another increase despite formidable market pressure.

A measure of current confidence in sterling was the market's ability to shrug off yesterday's publication of figures showing a £1bn current account deficit in 1986, three time larger than previously reported.

In London, sterling closed yesterday at $1.5775 compared with Wednesday's closing $1.5650 and surged to DM 2.89 after DM 2.875. The Bank of England's trade weighted sterling index closed at 71.4, up from Wednesday's closing 70.9.

UK Government bond prices built on Wednesday's substantial gains to end about ⅜ point higher.

Reagan paves way for fightback

Continued from Page 1

Mr Gary Hart, the leading contender for the Democrat nomination in 1988, said: "The President has begun to face the problems which shook the very foundations of his Administration's foreign policy."

However, Senator Robert Byrd, Democrat Senate majority leader, echoing a consistent theme in opposition criticism, said one speech was not enough to halt the slide in Mr Reagan's public support in the four months since the scandal broke. He said he was looking for "substance" from the Administration in the coming weeks.

Mr Reagan's speech was almost exclusively aimed at defusing the personal criticims of his role in authorising secret arms shipments

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday March 6 1987

AIRLINE SAYS $1.4BN OFFER IS 'GROSSLY INADEQUATE'

USAir spurns Icahn takeover bid

BY OUR NEW YORK STAFF

USAIR GROUP, the 10th-largest US domestic airline, yesterday rejected Trans World Airlines' $1.4bn cash takeover bid as grossly inadequate and not in the best interests of its shareholders, employees or passengers.

The target company said the bid from TWA, owned by Mr Carl Icahn, the leading corporate raider, was "highly conditional."

Mr Icahn's move could set off one of the most complex financial battles ever seen on Wall Street.

The bid, which offers $52 in cash for each of the 27m shares in USAir, has implications not only for the two companies and the rapidly consolidating US airline industry but also for USX, the giant steel and energy combine in which Mr Icahn is the largest single shareholder.

TWA also says it is the largest single shareholder in USAir.

Piedmont Aviation, the large regional airline which USAir is trying to buy for nearly $1.6bn, and Norfolk Southern, the third-largest US railroad, which is a rival bidder for Piedmont, will also be immediately affected by Mr Icahn's unexpected move.

USAir said yesterday it was continuing talks with Piedmont on arriving at a definitive merger agreement, and the two companies hoped to reach one very shortly.

At lunchtime yesterday TWA shares were down ⅝ at $31½ while those of USAir had slipped by 5⅛ to $49.

Until recently, Mr Icahn's long-term strategy was generally thought to involve selling TWA to another airline and possibly using the proceeds to re-join battle against the management of USX.

Mr Icahn was forced to abandon his $7bn bid for USX in January when the board took anti-takeover measures and Mr Icahn's financial backing seemed to weaken.

As a result Mr Icahn has been trapped with a $670m investment in USX which could not be liquidated at a profit. Some analysts speculated that TWA's bid for USAir was designed to provoke a bid for TWA, either from USAir itself or possibly from Norfolk Southern.

USAir has frequently been mentioned as a potential buyer for TWA. Mr Icahn has said that he would be willing to sell TWA at about $35 a share.

USAir said last night: "TWA's proposal is nothing more than an attempt by Carl Icahn to disrupt at the 11th hour USAir Group's acquisition of Piedmont, a transaction which .... Mr Icahn obviously regards as contrary to his own personal interests."

TWA is the sixth largest domestic airline and the biggest carrier across the Atlantic. But it has only recently emerged, under Mr Icahn's management, from a protracted period of disastrous losses and deep capacity cutbacks.

Until recently, the long-term strategy of Mr Carl Icahn, owner of TWA, left, was thought to involve selling his company to another airline and possibly using the proceeds to re-join battle against the management of USX. Mr Icahn was forced to abandon his $7bn bid for USX in January

Banco Santander in German bank deal

By David White in Madrid

BANCO Santander, one of the most forceful of Spain's commercial banks, yesterday announced a provisional agreement to take over two of America's interests in West Germany – its subsidiary Bankhaus Central Credit (CC-Bank) and its credit card division.

The deal would give Santander, which ranks sixth in the sector in Spain, the biggest branch network in the EEC of any private-sector Spanish bank, behind the state-controlled Banco Exterior de España.

It did not reveal how much it would be paying for CC-Bank, which has total assets of about DM 929m ($506m).

The bank said that by incorporating CC-Bank's network of 31 branches it aimed to help Spanish companies exporting to West Germany and to channel new investments linked to Spain's EEC membership. Since Spain joined last year, West Germany has overtaken the US as its main supplier and as its second client after France.

The purchase of the two interests, which are among the assets being sold by Bank of America to recover from losses, is expected to be completed in about a month. The credit card side of the deal, covering Bank of America's Visa card operation, is believed to be in excess of DM 46m.

The move comes in the wake of a strategic re-think of Banco Santander, which recently promoted Mr Emilio Botin to succeed his father as chairman. As a bank which has in the past tended to concentrate its foreign activities in Latin America, it is placing fresh emphasis on its operations in Europe, where it has branches in Frankfurt, Paris and London.

Baker's bid for Hughes Tool put in jeopardy

BY JAMES BUCHAN IN NEW YORK

BAKER International's bid for Hughes Tool, which would create one of the top three oil services companies in the world, was in danger of failure yesterday amid growing confusion and recrimination.

Hughes Tool, the world's largest maker of drill bits which threw the $1.6bn merger into jeopardy on Wednesday when it cancelled a shareholders' meeting, said yesterday that it had only adjourned the meeting a week while it sought agreement with Baker.

Baker, based on the west coast, had filed suit to compel Hughes Tool to complete the merger.

Hughes Tool, based in Houston, said on Wednesday that it objected to various provisions which the Justice Department had laid down to satisfy anti-trust concerns.

However, some analysts believe that Hughes Tool, severely weakened by last year's collapse in drilling activity, is more confident that it can survive now that oil prices have risen.

The merger, on the basis of a stock swap which would cede management control to Baker, is part of a drastic re-organisation of the US oil service industry begun with last year's fall in oil prices.

With the number of working drill rigs in the US halved to 700, Hughes Tool lost $475m and half its net worth last year.

However, Hughes Tool said on Wednesday that the insistence by anti-trust authorities that Baker dispose of its Reed Tool drill-bit business and Baker Lift, its maker of submersible pumps, would create "substantial risk" for the merger unless purchasers were found before the deal was completed.

Analysts accept that the sale of these businesses will reduce the cost savings of the merger but believe that Hughes Tool is banking on a pick-up in drilling activity.

With the rise in oil prices since the beginning of the year, discounts on drill bits have fallen about 10 percentage points to about 40 per cent, according to Mr James Carroll, an energy expert at the New York investment firm, Paine Webber.

"There was a real issue whether Hughes Tool could survive $10 oil and a 700-rig country. Now there is a much more stable pricing outlook for oil," he said.

Swedish Match advances

By Sara Webb, Stockholm Correspondent

SWEDISH MATCH, the diversified industrial group which is the world's leading producer of matches, boosted profits after financial items by 39 per cent to SKr 500m ($77.4m) in 1986, against SKr 359m in 1985.

Group sales totalled SKr 10.9bn, up 1.7 per cent on 1985's SKr 10.7bn. Return on equity rose from 9 per cent to 15 per cent.

The group made an extraordinary gain of SKr 640m from the sale of its holding in the property company Hufvudstaden.

The consumer products group showed a sharp fall in operating profits, from SKr 253m to SKr 174m. Sales fell 6 per cent to SKr 3.3bn, chiefly due to problems in the match division and tighter competition and restructuring costs in the lighter division.

The group has closed many of its Western European match factories and transferred production to less developed countries where demand for matches is growing.

Tarkett, the flooring division, increased operating income to SKr 203m from SKr 181m, but sales dropped 4 per cent to SKr 2.6bn, mainly on the dollar's fall.

At Swedoor, the door division sales rose 12 per cent to SKr 1bn.

The board proposes increasing the dividend from SKr 10.5 to SKr 12.5. There will be a share split, with one share split into five.

Allis plans radical reshaping

BY OUR NEW YORK STAFF

ALLIS-CHALMERS, the Milwaukee industrial group struggling to avoid the bankruptcy courts, is proposing to sell all but one of its businesses, restructure its debt and sharply reduce employee health benefits.

In a meeting with lenders and union representatives on Wednesday, Mr Wendell Bueche, chairman, said he believed "rapid agreement" was essential if Allis were to avoid "filing for protection under federal bankruptcy laws."

Allis has been troubled since the early 1980s, when its former farm equipment business collapsed, and lost $8.6m on sales of $771m last year.

Under the new plan, Allis will sell all its businesses except the profitable American Air Filter operation.

It will also raise $100m in an issue of debt securities and convert its current debt into equity.

The plan, which goes far beyond last month's proposal to float off most overseas subsidiaries to a new company in Sweden, may be opposed by common stockholders, who will end up with only 15 per cent of the company.

Opposition may come too from workers, who will see "substantially reduced" health benefits, and from the Pension Benefit Guaranty Corporation, which is being asked to assume pension liabilities.

Moët-Hennessy ahead by 18 %

BY PAUL BETTS IN PARIS

MOËT-HENNESSY, the leading French champagne and cognac group, yesterday reported an 18 per cent rise in net earnings to FFr 820m ($134m) last year compared with profits of FFr 696m in 1985. Sales rose by 5 per cent to FFr 805bn last year against the previous FFr 7.69bn.

The group lifted pre-tax profits for the year by 10 per cent to FFr 1.61bn and said the results reflected sizable advances in its champagne, perfume and cosmetics businesses while the cognac sector consolidated its strong 1985 performance.

The unfavourable impact of the lower US dollar was partly offset by the group's foreign exchange hedging policies and by the increase of yen sales in overall turnover. The group's average tax rate declined, largely on French tax cuts.

The champagne and wine business saw a 17 per cent increase in pre-tax profits last year with champagne sales in volume terms rising by 7 per cent. Cognac pre-tax earnings rose by 2 per cent while sales in Japan grew by 25 per cent. Sales on the American market were flat.

Pre-tax profits in the perfume division rose by nearly 8 per cent. Moët-Hennessy's diversification in the horticulture sector also showed improvement, with losses in the US Armstrong nursery subsidiary cut by more than half last year and the Delbard subsidiary in France showing profits.

Moët-Hennessy expects growth to continue in volume terms in all its sectors this year. Champagne margins are expected to be lower because of the high cost of the 1985 harvest, but the perfume and cosmetics sector should show rapid growth in sales and earnings.

Benetton and GFT in financial services link

BY ALAN FRIEDMAN IN MILAN

BENETTON and GFT, Italy's two largest clothing manufacturers with combined 1986 turnover of L1,960bn ($1.5bn), yesterday announced a joint financial and industrial services venture.

The new company – to be called Finalter – will have only a nominal initial capital but will operate in corporate finance, leasing, factoring, currency swaps, other types of financial services and also in the development of industrial services for the textile and clothing industry.

Benetton, which has 4,000 retail shops in 60 countries, has traditionally been a competitor of GFT, the Turin-based company.

Benetton had 1986 sales of L1,060bn from clothing and an additional L500bn of business in leasing and factoring.

Although Benetton has already declared its intention to diversify into financial services, yesterday's alliance with one of its major competitors was described by Mr Luciano Benetton, the founder and chairman, as also necessary to save costs and relaunch the image of Italian clothing internationally.

Mr Benetton did not specify what sort of industrial services might be offered by Finalter, but he did disclose details of the financial services business. GFT has acquired 25 per cent of Incapital and Infactor, the two operating financial services subsidiaries of Benetton.

Benetton, in turn, has bought 25 per cent of P&I, a small insurance brokerage owned by GFT. The 35 per cent equity stake in the Italian associate of Britain's Prudential insurance group which Benetton acquired recently is not part of the GFT venture.

Danish trading group improves

By Hilary Barnes in Copenhagen

THE EAST Asiatic Company, the Danish international trading and industrial group, plans to restore an 8 per cent dividend after passing for four years.

The preliminary statement said the restoration of the dividend started a new era for the company and expressed confidence that the group would maintain the progress made in restoring its fortunes.

Group net profits increased from DKr $244m ($35m) to DKr 316m although sales declined from DKr 16.69bn to DKr 14.17bn.

The fall in sales reflected the appreciation of the Danish krone against most of the currencies of significance to the group, the report said. In dollar terms, sales rose by 4 per cent last year.

Financial costs were cut from DKr 488m to DKr 239m while operating profits declined from DKr 433m to DKr 381m.

Gambro raises profits by 32%

By Our Stockholm Correspondent

GAMBRO, the Swedish manufacturer of kidney dialysis equipment, reported a 32 per cent rise in profits after financial items to SKr 133.5m ($21m) in 1986, compared with SKr 101m the previous year.

Sales rose 6.5 per cent, from SKr 1.51bn in 1985 to SKr 1.609bn in 1986.

The board proposes raising the dividend from SKr 0.4 to SKr 0.8.

Gambro said the results were helped by lower sales and administration costs, and that the results of their rationalisation measures – particularly in Sweden, West Germany and the US – had begun to show their effects.

Italy has now overtaken the US as Gambro's biggest market, accounting for 17 per cent of group sales. The US operations – which made a substantial loss in 1985 – are now running at a profit, helped by further job cuts.

French Government to hold Bull golden share

BY GEORGE GRAHAM IN PARIS

THE FRENCH Government will keep a golden share in Bull, the computer group which is included on its privatisation list.

The golden share, or *action spécifique*, gives the Government the right to block any share stake above 10 per cent for five years and is designed to protect French strategic interests.

Bull's privatisation is not thought to be imminent, but the company said earlier this week that it intended to raise new capital in the markets this year.

Between now and 1990 Bull expects to raise between FFr 2bn ($327m) and FFr 3bn of new capital, and this will reduce the state's control over the company. The creation of the golden share had to take place before the arrival of new shareholders, officials indicated yesterday.

The golden share was used last year for the sale of part of the Government's majority stake in Elf Aquitaine, the oil company.

Besides oil companies and defence equipment manufacturers, the Government is also expected to keep a golden share when it privatises the state-owned insurance groups.

Canadian bank lifts earnings in quarter

By Bernard Simon in Toronto

STRONG GROWTH in non-interest income and lower interest payments to depositors enabled Canadian Imperial Bank of Commerce to lift net earnings to C$96.5m (US$74m) in the quarter ended January 31 from C$87m a year earlier.

A 26 per cent rise in the number of outstanding common shares pushed earnings per common share down from 64 cents to 61 cents. Return on assets edged up from 0.44 per cent to 0.46 per cent.

CIBC, which is Canada's third-largest bank, ascribed a 26 per cent jump in non-interest income to C$213.6m to new deposit services, loan fees and foreign exchange transactions.

Loan-loss provisions, which are based on a five-year moving average of actual losses, were raised from C$152m to C$172m. Although 1987 losses are expected to be lower than last year, the bank said that it was using an unchanged estimate of C$800m "in view of the many uncertainties of the markets."

CIBC is the largest creditor of Dome Petroleum, the debt-ridden Calgary oil and gas producer which is asking its lenders to convert a large part of their debt into equity.

Refractory group agrees sale

BY OUR FINANCIAL STAFF

GENERAL Refractories of the US has agreed to sell its European refractories and building products operations for $62m to an Austrian investor group headed by Girozentrale Bank of Austria.

The transaction is subject to the approval of General Refractories' shareholders by April 24.

The businesses that make up the European group include refractories manufacturing plants in Austria, West Germany and Greece; magnesite mining operations in Austria and Greece; and related sales companies in several countries.

The European division had sales of $186m in 1985 out of total group sales of $316m.

SOUTH AFRICAN MINERS ANNOUNCE RESULTS

Amgold boosted by gold mine dividends

BY JIM JONES IN JOHANNESBURG

HIGHER GOLD mine dividends lifted annual investment income 12.7 per cent to R383.2m ($184.5m) at Amgold, the main gold mine holding company of Anglo American Corporation, South Africa's largest mining house.

Although prospecting costs for the year to February rose to R16.6m from R11.2m, pre-tax profits increased to R373.3m from R336.5m.

In addition to the group's extensive gold exploration in South Africa itself, planning of a new gold mine in Namibia is well advanced. This was separately disclosed yesterday by Mr Andries Shipanga, chairman of Namibia's transitional cabinet, who said Anglo American planned to spend an initial R 64m to establish the mine in the eastern central part of the territory.

Amgold's net earnings rose to R17 a share from R15.35, and the year's dividend has been raised to R16 a share from R14.5.

● Anglovaal, smallest of South Africa's six mining houses, lifted its interim operating profit by 44 per cent in the six months to December to R109.1m largely because of better performances by industrial subsidiaries.

Investment income, which is derived from the group's gold mining interests, rose by only 8 per cent, to R29.8m.

On consolidated turnover of R1.46bn compared with R1.20bn, interim pre-tax profits were R138.9m against R103.6m.

● Sanctions do not appear to have affected the volume of exports by Trans-Natal, South Africa's second-largest colliery company, in the six months to December, and management expects export tonnages to increase in the current half-year.

However, Mr Steve Ellis, chairman, is worried about immediate trading prospects and warns that export prices are coming under increasing pressure because international markets are over-supplied with steam coal.

Coal sales rose to 16.6m tonnes from 15.8 tonnes. Turnover was not disclosed, but pre-tax profits were R113.2m against R158.8m.

Net earnings dropped to 67 cents a share from 94 cents, and the interim dividend has been lowered to 30 cents from 44 cents. Trans-Natal is controlled by Gencor, South Africa's second-largest mining house.

INTL. COMPANIES AND FINANCE

Shell Française back in the black after recovery drive

BY PAUL BETTS IN PARIS

THE FRENCH operations of the Royal Dutch-Shell oil group returned to the black last year for the first time in seven years, reflecting the group's French recovery programme launched in 1985.

Shell's French operations will show a profit of FFr 200m ($32.7m) in 1986 compared with a loss of FFr 1bn for the previous year. The group last made money in France in 1979, with a FFr 96m profit.

Since then it has accumulated losses of more than FFr 4.5bn. Shell's French sales declined from FFr 40bn in 1985 to FFr 24.6bn last year, reflecting lower oil prices and US dollar values.

Mr Henri Pradier, head of Shell Française, said yesterday that France's oil refining and marketing business should show a profit of FFr 43m for last year compared with a loss of FFr 968m in 1985.

Shell Chimie, the group's French chemicals subsidiary, will show a profit of FFr 180m last year compared with a loss of FFr 57m the year before.

The 1986 figures include an accounting loss of FFr 2bn to cover the decline in value of the company's oil stocks which were only partly offset by an accounting gain from previous currency translation provisions.

Mr Pradier said the French recovery programme launched in 1985 was now two-thirds completed. The group had cut its French workforce by 14 per cent or 1,700 people during the three-year plan. The programme also involved the closure of the group's Pauillac refinery in south-west France and the transfer of the Pauillac catalytic cracker to Shell's Berre refinery near Marseilles.

The transfer would cost about FFr 1bn, Mr Pradier said, about 10 per cent to 15 per cent cheaper than building a new cracker at Berre, as well as bringing the cracker on stream much sooner.

Shell is planing to spend about FFr 2bn on investments in France this year compared with FFr 860m last year.

Mr Pradier warned of the possible adverse consequences on the industry if the Government decided to go ahead with proposals to set up a new stock system for strategic oil reserves.

Mr Pradier had no objection to the proposals as long as they did not burden oil companies with additional costs and did not discriminate between the majors and independent oil importers in France.

If that were to be the case, the French refinery industry would be forced to reduce more jobs and capacity. Since 1979, the number of refineries in France has fallen from 23 to 13.

Shell UK results, Page 37

Thomson hit by oil price fall

BY BERNARD SIMON IN TORONTO

LOWER OIL prices and less favourable exchange rates offset record publishing and travel earnings to push International Thomson Organisation's net income down by 13 per cent last year.

Earnings of the Toronto-based company controlled by the family of Lord Thomson of Fleet dropped to £97m ($151m), or 32.8p a share, from £111m, or 37.9p, in 1985. Sales fell from £1.76bn to £1.71bn.

Operating profit of the group's oil and gas division dropped from £96m to £32m. Its North American energy interests suffered a loss last year because of asset writedowns stemming from the drop in oil prices.

Information and publishing profits rose from £62m to £87m, accounting for 54 per cent of total operating profit, compared with 32 per cent in 1985.

ITO spent more than £400m on publishing acquisitions last year, mostly in the US. The group's strategy of expanding its North American interests is reflected in the jump from 20 per cent to 34 per cent of the US contribution to total operating profits.

ITO said that Thomson Travel's share of the British holiday package market grew from 20 per cent to 29 per cent, with the number of tour passengers rising from 1.8m to 3m.

The travel division's operating profit climbed by 27 per cent to £42m, but net interest income added another £18m.

The sizable interest receipts, which make a substantial contribution to all tour operators' margins, are earned on deposits on tour packages and pre-payment of holidays.

IBM and Fiat set up stock venture

By John Wyles in Turin

THE FIAT group and IBM Italy yesterday announced a $45m joint venture which, they claim, will be the first in the world to offer a comprehensive communications network for managing and controlling stocks.

Mr Cesare Romiti, Fiat managing director, said yesterday: "We want to seize the opportunities offered by a very promising market which is just opening up in Italy."

The new company, to be launched with capital of L5bn ($3.8m) and an investment of L60bn, will be called Intesa (Iniziative Telematiche per Servizi Applicativi).

IBM executives said Intesa would provide computerised exchange of information between the supplier, the manufacturer, transport distributor and the point of sale of the finished product. The aim would be more efficient management of resources to reduce capital tied up in manufacturing and distribution.

Mr Franco Bernadi moved from IBM to become president of the new company.

IBM believes that the spread of Fiat's activities – cars, trucks, aero-engines, automotive parts, tractors and earth-moving equipment – makes the Italian group a perfect "test bed" for the new system.

On Fiat initiatives, studies on the possible market began in 1985, and the following year a joint working group from the two companies identified the system as "an important business opportunity."

Mr Romiti said Italian domestic demand for logistic systems would be about L500bn a year by the beginning of the next decade.

AIBD BONDS INDICES
Weekly Eurobond Guide February 27, 1987

	Redemption Yield	Change on Week	12 Months High	12 Months Low
US Dollar	8.518	−0.398	9.874	8.440
Australian Dollar	14.622	0.696	14.622	12.830
Canadian Dollar	9.725	−0.957	11.504	9.633
Euroguilder	6.109	−0.245	6.314	5.804
Euro Currency Unit	8.648	0.220	9.418	8.164
Yen	5.728	−1.885	6.774	5.218
Sterling	10.391	−1.628	11.609	9.751
Deutschemark	6.159	0.769	6.690	6.071

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Chevron and Philips sell Saudi Cable share stakes

By Finn Barre in Riyadh

CHEVRON of the US and Philips of the Netherlands have agreed to relinquish their minority holdings in Saudi Cable Company, one of Saudi Arabia's biggest enterprises.

The Jeddah-based company has bought back Arabian Chevron's 20 per cent stake and a 5 per cent share held by NKF, a Philips subsidiary. No price was disclosed, but it said the action was being taken in order to pave the way for Saudi Cable to go public.

Saudi Cable, new capitalised at SR 200m ($53.3m), is seeking another SR 50m from additional investors in an issue managed by the London-based Saudi International Bank. It plans to use the funds to build plants for producing telecommunications cable and fibre optics and assembling electronic components.

Sales last year were more than SR 550m. Saudi Cable owns 50 per cent of Midal Cable, of Bahrain, and a share in Demirer Kable, a Turkish cable manufacturer.

SHV holding in Makro sold

By Jim Jones in Johannesburg

SHV, the Dutch trading group currently bidding for a stake in IC Gas of the UK, has sold its two-thirds interest in Makro, the South African wholesale chain, to the local Wooltru retail group for R43.3m ($20.85m).

Divestment plans were announced earlier this year after its stores in Holland were destroyed by anti-apartheid arsonists. Safren, the South African transport and industrial group which owns the remainder, will retain its holding.

Makro has not published trading figures, but sales are believed to be in the region of R500m. Wooltru, which has annual turnover of just less than R1bn and pre-tax profits of about R70m, will pay cash for the acquisition. Earlier this year Wooltru aborted merger talks with Pep, another retail chain.

Canon earnings plunge 71%

By Yoko Shibata in Tokyo

CANON, the Japanese photographic and office products group, has reported consolidated net profits of Y10.73bn ($69.8m) last year, a drop of 71 per cent which it attributed largely to the yen's steep appreciation against the dollar.

Group sales totalled Y889.22bn, down 7 per cent.

Three Malaysian banks in talks to have shares listed

BY WONG SULONG IN KUALA LUMPUR

THREE MALAYSIAN banks are holding discussions with the authorities aimed at securing public listings on the Kuala Lumpur Stock Exchange this year.

Bankers say the three—Southern Bank, Malayan United Bank and Hock Hua Bank—should not face serious problems in gaining a quotation as they have a healthy profit record, and are among the few Malaysian banks that have escaped the need to make heavy provisions for non-performing loans and bad debts.

The first to get a listing is likely to be Southern Bank, which is expected to issue 14m new shares to Malaysian residents. Mr Tan Teong Hean, its managing director, said its listing appication is now in the final stages of negotiation with the authorities.

For 1985, the latest year for which figures are available, the bank had shareholders' funds of 74m ringgit (US$29.6m) and pre-tax profit of 15.3m ringgit.

It is a 55 per cent subsidiary of Killinghall, the tin mining group controlled by the royal family of Selangor state.

An official at the diversified Malayan United Industries, (MUI) also confirmed that it has had a positive response from the authorities regarding the public listing of its nearly wholly - owned subsidiary, Malayan United Bank.

MUB is one of the fastest growing banks in Malaysia. For its 1985 year, it has shareholders' funds of 80.3m ringgit (and pre-tax profits of 27.1m ringgit.

Hock Hua Bank, which is based in the east Malaysian state of Sarawak, has shareholders' equity of 81.3m ringgit and pre-tax earnings of 19.3m ringgit for the same year. It is controlled by Tan Sri Ling Beng Siew, a prominent timber businessman.

Bankers say the flotation of the three banks is likely to involve the distribution of bank shares to shareholders of their parent companies since under central bank rules, no corporation is allowed to hold more than 20 per cent of a bank which is being restructured.

THE Kuala Lumpur Stock Exchange is planning to introduce a second board, or unlisted securities market, in order to attract more investors, Reuter reports.

Mr Mohamed Salleh Abdul Majid, its general manager, said the exchange is also examining a proposed sliding scale for commissions, which the related Stock Exchange of Singapore plans to introduce for its brokers, to see if it is suitable for the Malaysian exchange.

BHP sets terms for flotation of gold unit

By Bruce Jacques in Sydney

BROKEN HILL PROPRIETARY (BHP) has released details of the proposed spin-off of the company's gold interests, valuing the new entity at A$485m (US$329.9m).

Only A$215m of this will be raised from the public, with BHP itself subscribing the remainder for 540m shares to take a 56 per cent stake in the company, which will be called BHP Gold Mines.

BHP shareholders will be offered 430m shares at 50 cents, and will be entitled to take them up on a one-for-three basis.

BHP will receive A$440m as consideration for the transfer of all its gold shares into the vehicle, excluding OK Tedi in Papua New Guinea and interests held through BHP's Utah International subsidiary. The unit will embrace New Zealand exploration properties acquired this week from Homestake Mining of the US.

Chairman of the new group will be Mr John Gough, a BHP director and managing director of Pacific Dunlop. Mr Gough said the company would be one of Australia's largest gold producers, accounting for output of 170,000 oz in its first year of operation, rising to some 300,000 oz a year by 1990.

Amcor 16.6% ahead in first half

BY OUR SYDNEY CORRESPONDENT

AMCOR, one of Australia's largest industrial and manufacturing groups, is set for A$100m (US$68m) in annual pre-tax profits with a strong December half result.

The company lifted six-month net earnings 16.6 per cent from A$47.7m to A$54.5m on an 8.5 per cent sales boost to A$1.31bn. The interim dividend has been raised from 9.5 cents to 10 cents a share.

Amcor, formerly Australian Paper Manufacturers, now incorporates the wholly-owned Mayne Nickless transport group and the 50 per cent-owned Kimberley-Clark paper operation.

Mayne Nickless contributed almost half of the group's earnings with a 33.8 per cent after-tax profit rise to A$26.8m, but specific figures were not given for the Kimberley-Clark side.

Directors foreshadowed an etxension of the company's shareholder base in both the US and Europe in the current year. The company has an investment target of around A$700m over the next two years, most of which will be spent on new capacity both for export and for import replacement.

Amcor has sold about A$200m of surplus assets in the past year and is one of the growing band of Australian companies positioning themselves to take advantage of the currency devaluation of the past two years.

Decline in Siam Cement profits

BY PETER UNGPHAKORN IN BANGKOK

SIAM CEMENT, Thailand's largest industrial conglomerate, registered net profits of 785m baht ($30.3m) for 1986, down from 939m baht, on revenue which slipped to 11.1bn baht from 12.5bn baht.

The construction industry in Thailand has generally been weak but the group also reports that its light machinery subsidiaries performed worse last year.

The group has announced eight major investment projects for the next five years at a cost of 12.5bn baht for expanding cement production, making Thailand's first colour television tubes, producing plastic pellets, a joint venture with Toyota to produce engines for small pick-up trucks, production expansion for sanitary ware and paper pulp, and exploration for potash.

Cement and related products remained the group's core activity yielding about 40 per cent of earnings. The group controls almost half of Thailand's cement production. Other subsidiaries are involved in machinery, pulp and paper, trading, plastics, shipping and mining.

The 2.4bn baht project to produce TV tubes is a joint venture involving 13 companies currently assembling sets in Thailand. A decision is expected this month on whose technology to adopt.

The hope is to produce 1m tubes annually, half for domestic consumption. Mr Paron Isarasena, chief executive, says production should begin in three years.

BTR-Dunlop forecasts trading benefits

THE MERGER of BTR and Dunlop in South Africa at the start of 1986—following the amalgamation of their British parents—is expected to lead to trading benefits only in the current year, according to Mr Peter Fatharly, the chairman, writes Jim Jones in Johannesburg.

BTR-Dunlop's sales totalled R355.6m ($171.2m) last year, against R224.6m for Dunlop alone in 1985. Comparable pro forma combined figures have not been given.

Pre-tax profit was R32.2m against Dunlop's R29.2m.

Rationalisation and labour disputes led to considerable, though undisclosed, extraordinary losses. Before taking these into account, earnings dropped to 86.5 cents a share from the 100.1 cents earned by Dunlop in 1985. The dividend has been maintained at 75 cents a share.

The South African company is 61 per cent-owned by BTR of the UK.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Haig Simonian on the fight to enhance competitiveness in Frankfurt

German bankers urge tax repeal

UP IN Bonn, the partners in West Germany's coalition government are still locked in talks over a new legislative programme for the next four years.

Just 120 miles away in Frankfurt, however, many bankers are worried that the politicians may be osft-pedalling on the continuing regulatory and fiscal changes they think are needed to maintain and enhance Frankfurt's position as an international financial centre.

Top of the bankers' list is the repeal of the *Boersenumsatzsteuer*, West Germany's stock exchange turnover tax, which is levied on all secondary market transactions in shares and bonds. Almost to a man, bankers think the tax ought to go as soon as possible to keep Frankfurt competitive.

Many argue that the levy, which varies between 0.1 and 0.25 per cent, has already been the prime cause behind the development of active secondary markets in West German securities in foreign centres like London and Luxembourg.

At a time when foreign stock exchanges and electronic information systems are trying to claw a share of the market in international equities, the West German financial markets are pressing for action to prevent a further erosion of their business.

Repealing the turnover tax was one of the planks of the Christian Democrat-Free Democrat coalition's election platform in January. Little has been heard of it since. No commitment was made as to when the axe would fall, and some bankers fear it may be later rather than sooner.

The delay is easily explained; the turnover tax now raises some DM 800m ($435m) for the federal exchequer against next to nothing before the West German stock market started to soar two years ago.

A second change that many brokers would love to see, which would involve amending West Germany's stock exchange law, would be to allow dealers to go short. Few foreign clients realise going short in either stocks or bonds is illegal in German markets. "The law is completely set up for a bull market but not a bear one," says one dealer. "So a vital element to provide liquidity is missing."

Many feel the ban on shorting is wholly inappropriate for a country which claims to be a leading financial centre. The law is a relic of the country's financially troubled 1920s, when there were many bankruptcies. However, continuing conservatism on the part of the financial regulators means that few expect the ban to be lifted.

Bankers would also like the Bundesbank to shorten the present two-week notification period for new Euro-Deutsche Mark bond issues. This timetable plays havoc with currency-swap related transactions, bankers say, which are a key element in the market. "Overnight notification to the Bundesbank is all that should be required," says one senior investment banker.

With the dollar/D-Mark exchange rate regularly bobbing up and down, the notice period has certainly handicapped swap-related Euro-Deutsche Mark business. Some bankers reckon that as many as half the deals planned have to be withdrawn because the swaps are no longer practicable by the time the bond is due.

Reducing the notification period, or, better still, eliminating it altogether, would be an obvious way for the Bundesbank to show it remains committed to keep Frankfurt internationally competitive, bankers argue.

Those wanting further liberalisation represent by far the majority, yet a staunch few claim that the Bundesbank has hit the right balance between continuity and change.

"The existing regulations are not as damaging as many people make out," says one senior investment banker. "Take the turnover tax. Few people bother to point out that it does not apply to the substantial business between institutions with banking status in West Germany."

No one is complaining too loudly about the notification period of CSFB-Effectenbank, which has already made a big impression in the Euro-Deutsche Mark business in the 18 months it has been established in Frankfurt. "We can do the swaps perfectly well as matters stand," says the bank.

Not cocking the boat in public has certainly done CSFB-Effectenbank no harm at all. Yet few doubt that the turnover tax has stifled the creation of new money market products in West Germany. The tax is a hefty obstacle to instruments like certificates of deposit (CDs) which are based on thin spreads and quick turnover.

Deutsche Mark CDs were given the go-ahead by the Bundesbank as long ago as May 1985. However, only one has been issued and few bankers can recall its fate.

The turnover tax will go in the end, though the timing remains uncertain. Yet the seeming consensus among German banks about its elimination warrants a closer look.

"As soon as the tax goes and money market instruments like CDs come in, the big domestic banks will lose the advantage of cheap funds through their retail networks," notes one foreign banker. And foreign houses, which now have to buy in more expensive funds through the interbank market, will be able to issue money market instruments to raise money more cheaply.

Repealing the tax may eventually trigger a variety of new money market funds, as in the US, giving depositors the choice of appreciably higher returns. Domestic banks, meanwhile, would have to raise their deposit rates to stay competitive. In the circumstances, cutting the tax would be a double-edged sword. But many domestic bankers probably feel that way about liberalisation already.

A SECOND Chinese bank will begin operations in Frankfurt in April. China International Trust and Investment (Citic) said Citic Industrie Bank's major activities will be in trade credit and financing, Reuter reports.

Bank of China began operations in Frankfurt in January. Friendly competition is expected between the banks, whose activities overlap in some areas.

Citic's main functions involve foreign investment in China, including co-ordinating joint venture agreements

The Bank of China was designated by the Chinese Government as the specialist bank for handling foreign exchange transactions.

Salomon launches £200m floating-rate note

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

SALOMON BROTHERS yesterday launched a £200m floating-rate note which marked the second venture this year into the fledgling market in securitised UK mortgages.

The latest issue is backed by a pool of 5,000 mortgages arranged by The Mortgage Corporation, Salomon's own UK mortgage lending subsidiary. It is in the name of another Salomon subsidiary, TMC Mortgage Securities 1, and follows the pattern of the US mortgage-backed securities market.

Like January's £50m issue for NHL First Funding, backed by a pool of mortgages from National Home Loans and also led by Salomon, the latest issue carries a guarantee of principal repayments from Sun Alliance and London Insurance.

But separate insurance has not been taken out for the interest stream, since the issuer will instead rely on the rating of Salomon Inc. The issue is expected to be rated double A by Standard & Poor's. The NHL issue obtained a triple A rating through a guarantee of interest payments from Financial Security Assistance, a US company which backs financial instruments.

The issue has a notional maturity date of 2014, and is priced at par with a margin of 25 basis points above three-month London interbank offered rate. The average maturity of the mortgages is expected to be five to eight years, and the bonds may be redeemed if the pool falls to £20m. It was trading at a discount less than its commissions.

The Mortgage Corporation plans further issues, since it aims to securitise its entire portfolio which now totals over £300m.

June start for French options market

By George Graham in Paris

THE FRENCH stock exchange plans to open a new market in traded share options in June.

The market will initially trade options on six shares, to be chosen from among 11 of the most activey traded French companies. The list is expected to include Paribas and Saint-Gobain, both recently privatised.

The six shares chosen will, like the options, be quoted continuosly by open outcry from 10.00 to 15.00. Most French shares, by contrast, are traded by a daily fixing process during a single afternoon session.

Mr Xavier Dupont, chairman of the French bourse, said the new traded options market was another stage in the "forced march on the road to modernisation and internationalisation" in which the world's main stock exchanges were engaged.

"I am convinced that this market will experience a very great success," he said yesterday.

The Paris market has been rapidly modernising its institutions, with the addition of a morning trading session for some active stocks and the creation of a continuous computerised market which now includes over 50 less actively traded companies.

Mr Dupont said that the options market, like the underlying equity market, would be guaranteed by the collective responsibility of the stock exchange members. Settlement and market supervision will be carired out by the Societe de Compensation des Marches Conditionnels, a subsidiary of the stock exchange corporation.

The Paris stock exchange is also working on a new continuous stock market index which could serve as the basis for an index option. The index, based on leading representative shares, is expected to be ready by the summer, though the option on it is more contentious.

The stock exchange, which has a legal monopoly on share dealings in France, is in dispute with the Matif, the recently created financial futures exchange, over which of them should have the right to trade the index option. Matif membership is open to banks and financial houses besides stockbrokers.

The issue has proved so intractable that the two sides have referred it to the French Finance Ministry for arbitration.

The Paris options market will be modelled on the American style of traded options, which can be exercised at any moment during their life. Contracts will be uniformly for 100 shares, and settlement will be due on the day after each trade.

The 11 shares from which the initial six traded options will be chosen are: Elf-Acquitaine, Thomson CSF, Air Liquide, Compagnie du Midi, Peugeot, Lafarge Coppee, Saint-Gobain, Compagnie Bancaire, Club, Mediterranee, Accor and Paribas.

Underwriters blamed for FRN crisis

By Our Euromarkets Staff

AGGRESSIVE UNDERWRITING in the floating-rate note market has been blamed in a new study by Salomon Brothers as a principal cause of the dramatic setback which the market has suffered in recent months.

The report also attributes the market's decline to the emergence of new types of higher-yielding alternative floating-rate investments. It says opportunities are emerging for investors in certain sectors of the market, but does not recommend the purchase fo perpetual FRNs (notes with no final maturity date) because of the sustained market malaise.

"Aggressive underwriting practices . . . failed properly to assess demand and the potential competition faced from new types of floating-rate investments," the report says.

The drying up of liquidity in the FRN market hit perpetuals particularly hard. Trading in the outstanding $17bn of such instruments, which make up about 15 per cent of all FRNs issued, has ground to a halt several times since December, most recently last week.

Many were issued at prices barely above London interbank bid rates (Libid), the cost of funds for banks. Last week, prices fell to a point where the notes were yielding as much as 130-160 basis points above London interbank offered rates (Libor).

Now, according to the Salmemon study, "Investors must determine the incremental coupon margin necessary to compensate for the increased liquidity and credit risks inherent in the investments."

Investors soak up flood of issues in all sectors

BY STEPHEN FIDLER

NEW ISSUE volume continued apace in the Eurobond market yesterday, with borrowers leaving few currency sectors untouched. The Eurodollar sector began to absorb some of Wednesday's new issues, including the $500m, three-tranche issue for Hoechst.

The three new bonds in the dollar sector yesterday were all equity-linked issues for Japanese borrowers through Nomura International, and were taken up reasonably well.

The largest was a two-tranche equity warrants issue for Mitsui, the trading company. A $150m, five-year portion was given as indicated 2¾ per cent coupon and an equal seven-year tranche was given a 3 per cent coupon.

Matsushita Electric Trading came with another deal with equity warrants of $100m, over five years with an indicated 2¾ per cent coupon.

A $50m convertible was offered for Gunma Bank, the latest in a series of bank borrowers in the dollar convertible sector, with a 15-year maturity and a 2¼ per cent indicated coupon.

In the Australian dollar sector, groaning under the weight of issues driven by currency swaps, there was a little welcome innovation. Commonwealth Bank of Australia issued A$100m of state-guaranteed five-year paper led by SBCI, with an initial coupon of 16 per cent and a 101 issue price.

But—and this is the novel element—the coupon will be reset annually at the one-year Australian Treasury bill rate, when the investor also has a put option.

General Electric Credit launched an A$75m, three-year issue through Hambros Bank. The bond was priced at 101⅞ with a coupon of 15 per cent.

Less well-received was the swap-driven A$75m issue for McDonald's, the hamburger chain, which was quoted outside its fees. The 4½ year issue carries a coupon of 14⅞ per cent and an issue price of 101½, and came via Bayerische Vereinsbank.

There was an innovation, too, in Canadian dollars. Lead manager CIBC said its issue for a sole purpose company called Canada Zero of C$150m was the first Canadian dollar zero coupon Eurobond. Canada Zero holds Canadian Government bonds, stripped of coupons. Issued at a price of 30 and maturing in 2001, the bonds yield 9.31 per cent or 49 basis points over the equivalent Treasury bond. That was enough to allow the issue to trade within fees of 1¼ per cent.

Societe General brought the other Canadian issue of the day for Ville de Quebec. The 10-year C$40m issue was priced at 100½ with a 9 per cent coupon to yield 76 basis points over Canadian Treasuries.

Eurosterling bonds caught up yesterday with the extra-ordinary mid-week rally in the UK government bond market. The one new issue in the sector was a deal of £50m for Pirelli UK International. It was priced at 101¼ with a coupon of 10 per cent and a maturity of five years by lead manager Barclays de Zoete Wedd.

Less the fees of 1⅞ per cent, the issue yields 10.1 per cent, 55 basis points over the equivalent gilt. It ended the day at a discount of 1½.

In Euroyen, where secondary market prices gained some ½ point, Nikko Securities (Europe) brought two issues, both of which ended the day within their fee discounts. The larger was for Nissan Motor, raising Y35bn over five years with a coupon of 5½ per cent and a coupon of 103⅞.

Great American First Savings Bank issued a Y15bn, five-year bond with a 5 per cent coupon and a price of 101½. The bonds were collateralised by agency paper, cash and certain money market instruments.

Euratom raised Ecu 75m with a six-year bond carrying a coupon of 7½ per cent and a price of 101½, led by Banque Generale du Luxembourg.

In the Deutsche Mark sector, Eurobond prices rose by ¼ point in line with government bonds.

DG Bank co-ordinated a multi-currency private placement for the World Bank totalling $232m. A par-priced DM 250m segment carries a coupon of 5¾ per cent and a five-year bullet maturity. A Fl100m portion, priced at par, carries a 5¾ per cent coupon and a similar maturity, while the Y5bn seven-year tranche carries a 4.95 per cent coupon. A separate SFr 25m loan matures in 1997, and pays a 4¼ per cent coupon.

In the Swiss franc market, prices were also firmer on average volume, while gold-related issues moved sharply higher. The largest issue was a SFr 100m bond for Oesterreichische Drankraftwerke, the Austrian hydro-electric utility, guaranteed by Austria. With a 10-year maturity and a coupon of 4¾ per cent, it carried a price of 100½.

INTERNATIONAL BONDS

Tokyo banks select debt factoring base

BY YOKO SHIBATA IN TOKYO

JAPANESE BANKS have selected the Cayman Islands as the legal domicile for the debt factoring company they are setting up to take over their loans to the Third World countries. The choice of the Caymans is designed to avoid taxation on interest accruing on the banks' claim held by the new company.

The banks have formed a committee, headed by Fuji Bank, to work out details for the establishment of the new company. It will purchase the bank's LDC loans at a deep discount. The sale of loans to the factoring company is expected to improve the banks' capital adequacy ratios.

The 12 Japanese banks involved are: Dai-Ichi Kangyo Bank, Sumitomo, Fuji, Mitsubishi, Sanwa, Tokai, Mitsui, Daiwa, Bank of Tokyo, Industrial Bank of Japan, Sumitomo Trust and Banking, and Bank of Yokohama.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 5

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	99	[illegible]	[illegible]	[illegible]	7.72
A/S Eksportfinans 7½ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	7.64
Australia Com. 11 95	200	[illegible]	[illegible]	[illegible]	[illegible]	8.18
Austria 7¼ 97	200	99	[illegible]	[illegible]	[illegible]	7.86
BP Capital 9⅛ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	7.63
British Telecom 7⅜ 96	250	[illegible]	[illegible]	[illegible]	[illegible]	7.96
Campbell Soup 10½ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	8.22
Canada 9 96	1000	108	[illegible]	[illegible]	[illegible]	7.71
Canadian Pac. 10¾ 93	100	[illegible]	[illegible]	0	[illegible]	8.70
CCCE 7⅛ 91	115	[illegible]	100	[illegible]	[illegible]	7.21
CNCA 7¼ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	7.21
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Expr. OS Cr. 5¾ 91	20	[illegible]	[illegible]	[illegible]	[illegible]	4.64
Denmark 6⅛ 96	30	[illegible]	109	[illegible]	[illegible]	5.15
Denmark, Kingdom 5⅛ 92	150	[illegible]	[illegible]	[illegible]	0	4.80
EEC 4⅞ 93	200	[illegible]	[illegible]	[illegible]	−2	4.82
Sweden, Kingdom 5⅞ 94	50	[illegible]	[illegible]	[illegible]	[illegible]	5.19
Sweden, Kingdom 5⅝ 95	20	104	[illegible]	[illegible]	+1	5.82

Average price change on day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux 14½ 90 A$	50	[illegible]	[illegible]	0	[illegible]	14.50
Amatil Fin. 14¾ 90 A$	40	[illegible]	[illegible]	0	0	15.14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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FINANCIAL TIMES SURVEY

Friday March 6 1987

The widespread risks from industrial and energy pollution have been spelled out by recent disasters. The EEC is spearheading efforts to deal with the issues at international level, through legislation and agreements, so that more countries will fully implement preventive measures.

Pollution Control

Cleanup after the fire that poisoned the Rhine.

Europe adds up cost of industry

TWO CENTURIES after Europe started to change into an industrial landscape, it risks suffering the worst of industrial worlds.

While economic growth has not been sufficient to prevent unemployment rising inexorably in most countries, it has none the less proven vigorous enough severely to damage the water, atmosphere and earth which provide the ingredients necessary not only for industrial development, but also for the basic health, well-being and ultimate survival of the human race.

Now, worries over pollution and its effect on the environment are changing the speed and direction of technological innovation across the continent.

Realisation of the way pollution crosses boundaries, already underlined by maritime oil spill scandals and by the aftermath of the Seveso chemical explosion in Italy in 1976—the clean up took eight years—has risen dramatically over the past 12 months.

The Chernobyl nuclear disaster last April, followed by the tide of toxic chemicals swept into the Rhine after the Sandoz fire in Switzerland in November, have seared unfamiliar names into public consciousness across the tightly-packed continent.

In the wake of the catastrophe at Bhopal in India two years ago—when 2,500 people were killed and 40,000 seriously injured by a gas leak from a Union Carbide pesticide plant—and last year's spectacular destruction of the US Challenger Space Shuttle, technology's accidents have injected new life into the debate over whether scientific strides are bringing the human race not towards perfection, but to the precipice.

But the setbacks also provide challenges. The expanding markets for non-polluting goods and services, as well as for clean-up technologies for industrial plant and equipment, are creating new technological growth areas.

The stimulus received by industry as a result of greater environmental consciousness is arguably a positive influence on flexibility and efficiency.

Certainly, the price exacted by environmental mishaps must not be too high. But optimists might even argue that a greater sense of internationalism spurred by the Chernobyl and Sandoz upsets has shown that even clouds of radioactivity or mercury vapour can have a silver lining.

Without the uproar over the international repercussions of Chernobyl, it is unlikely that the British Government would have changed its mind with such alacrity last year over the UK's responsibility for "acid rain" pollution affecting Scandinavian forests.

Environmental outeries might even have a positive effect on improving general political links and the flows of ideas between the West and the Eastern bloc countries.

But initiatives such as the European Year of the Environment—which the EEC Commission has declared will start this month—will be even remotely successful only if they increase public awareness of ecological issues which affect the Third World countries as well as the pampered populations of the north.

The increasing realisation that pollution control can be tackled only through a genuinely international approach has confronted governments and industry with a maze of intertwining difficulties.

And because of the growing power of ecologically-oriented political movements—headed by the now well-established Green Party in West Germany which gained 8.3 per cent of the vote in January's general elections—politicians now neglect the environment at their peril.

The undergrowth of dilemmas through which governments have to hack their way is indeed thick. One of the trickiest is the question of harmonising international rules to combat environmental damage.

After the ructions within the EEC during the past few years over German-inspired efforts to reduce car exhaust pollution, the Community now faces a further round of negotiations over proposals to lower noxious emissions from power stations and industrial plants.

Waiting in the wings is another plan (also from West Germany) to limit fluorocarbons in spray cans to dampen the danger of ozone depletion.

The Chernobyl and Sandoz accidents have shown up in different ways the frailties of international collaboration.

Radiation safety norms were shown to vary widely (even—in the case of Germany in particular—within certain countries) And in the Sandoz incident, international alarm procedures for alerting Rhine-water users were not properly carried out.

Government and legislators, above all through the OECD in Paris and the EEC, are now starting to wrestle with the task of improving international regulations and directives thrown up by both incidents.

The OECD's chemicals committee, for instance, is meeting in the middle of March to try to work towards a more efficient alarm and information exchange system to cut the risks from chemicals accidents.

This would tighten up international safety procedures in the same way that they were sharpened in another area—cross-border transport of toxic waste—in the aftermath of Seveso.

Similarly, in the vital area of insurance and liability for accidents, both the OECD and the EEC face great tasks in trying to close big loopholes in international arrangements exposed by the Chernobyl and Rhine accidents.

Looming over the entire field of international pollution control is the question of international competitiveness—and the effect on that increasingly scarce commodity, jobs.

For instance, West Germany and other richer countries in the Community which try to force Greece, Spain or Portugal to bring in more stringent environmental regulations stand guilty, in the eyes of some EEC officials, of attempting to hold up development of the poorer countries.

To what extent do countries which subject their oil, chemicals, car and electricity businesses to tough national norms benefit or lose out from such arrangements?

Mr Stanley Clinton Davis, EEC Commissioner responsible for the environment, attacks as "wrong and neanderthal" the notion that environmental interests must not stand in the way of industrial progress.

Echoing a view which is probably held by most European Environment Ministers, and which is also a guiding credo of the Greens, he says: "Where countries have paid attention to environmental needs, they have captured international markets—if they don't pay attention to such needs, they lose markets."

Governments clearly must not only convince industry that environmental protection is in the corporate sector's own interest, legislators also must have the power—and this is a much bigger "if"—to monitor and enforce compliance with regulations in a way which does not drive industry and employment to less regulated countries.

David Marsh

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Lessons of the Rhine

THE DATE of November 1 last year will go down as a landmark in the history of international pollution control—and also in the annals of Sandoz, the Swiss pharmaceuticals and chemicals group. Almost exactly 100 years after the company started dye production on the banks of the Rhine in Switzerland, the fire which swept through its chemical warehouse at Schweizerhalle near the Basle headquarters provided the spark for a major political row over the safety of the chemical industry whose repercussions are still reverberating around Europe.

The blaze, in a store containing 1,246 tonnes of chemicals, resulted in up to 30 tonnes of dangerous agricultural chemicals, including 200 kilogrammes of mercury, being washed into the Rhine, resulting in severe environmental damage to a river with a symbolic place in European hearts.

In sharp contrast to the accidents at Bhopal and Chernobyl, no one died as a direct cause of the fire. But the public outcry over the killing of hundreds of thousands of fish and eels, as well as over longer-term ecological damage to the river, has continued.

On the walls of Sandoz' rambling central buildings on the borders of both West Germany and France, protesters have scrawled references to a Swiss-style Chernobyl. More than three months after the accident, "murderers" is still inscribed in angry letters.

In Basle, the knowledge that the fire could have led—if the worst had happened—to widespread deaths throughout the population through a release of deadly phosgene has had a numbing effect.

The accident also has sent powerful ripples through environmentally-conscious Germany. It was probably the single most important factor (along with the Chernobyl disaster itself), contributing to the success of the radical Greens' ecology party in Germany's general elections in January.

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European policy

Brussels takes a strong lead

THE FRIGHTENING speed with which pollution in one country can become an international problem was underlined with disastrous results by the Sandoz accident.

Within 10 days, a tide of toxic waste had flooded down the Rhine from Basle in Switzerland through West Germany, France and the Netherlands into the North Sea causing untold long-term damage on the way. It was the worst environmental disaster inside Europe for years.

Yet European Commission officials admit that the accident, while tragic, has had one positive effect. Even if Switzerland is not an EEC member, it emphasised the extent to which pollution control needs to be dealt with at European rather than national level.

Sandoz also provoked some uncomfortable soul-searching within the Community. For the one piece of EEC legislation that might prevent a recurrence of the accident within the Community, the so-called Seveso directive, is being inadequately applied, or even ignored, by the majority of member states.

Adopted in 1982, six years after the Seveso chemicals disaster in northern Italy, the directive lays down rules for handling and storing dangerous chemicals. These should have been implemented by member states three years ago, but only Britain, France, West Germany and Denmark have enacted the Seveso rules to the Commission's satisfaction, while Belgium and Ireland have only just enacted the legislation to do so.

Luxembourg, meanwhile, has taken so little notice of the measure that the Brussels authorities have taken action against its government. Switzerland has agreed in principle that it will sign the Seveso rules as a non-EEC member.

The fierceness with which the Commission is pursuing Luxembourg and the other member states which have not properly applied this key regulation is a telling symptom of how EEC environment policy is now entering a new and sharper phase.

After a period in which the Community's attempts to tackle pollution through environment policy have been prolific but seen by many as lacking in direction, both the Commission and member states are seeking a more focused strategy.

The emphasis is on the actual impact on the quality of the environment of new and existing measures—or "impact assessment" in Brussels jargon—rather than continuing to add to the more than 100 pieces of environment legislation adopted by the Community over the past 13 years.

In constitutional terms, this trend is embodied by the advent of the Single European Act, which for the first time in EEC history stipulates that the Community must have a specific environment policy. This, a key phrase in the Act emphasises, should also take account of "the potential benefits and costs."

Until now, EEC environment policy has been run almost on an ad hoc basis, hanging on a declaration by member states at the 1972 Paris summit that some kind of action was needed at Community level to protect and improve the environment.

On a political level, the growing tendency to examine the real impact of environment policy, rather than the intentions behind it, is emphasised by the increasing number of formal reviews of the effectivness of existing directives being demanded by the Council of Ministers.

This is being matched by the Commission itself, as witnessed by its action over the Seveso rules. More recently, Mr Stanley Clinton Davis, the Commissioner responsible for this area, wrote to individual member states outlining environment directives they were failing to observe fully and asking them to come up to scratch.

The trend towards focusing environment policy on areas where it can have a demonstrable effect—like a recent directive obliging member states to scrutinise the impact of major construction projects before they go ahead—is being accompanied by attempts by the Commission to restrict new measures to areas where there is a genuine need for Community action, rather than duplicating national laws.

One example is the three-year-old directive on the shipment of dangerous substances, which requires member states to notify each other whenever a cargo of highly toxic material crosses an EEC frontier. Introduced in response to the discovery of a warehouse full of inadequately protected dioxin dumped in a northern French warehouse, the directive met an immediate political need for neighbouring governments to be seen to be doing something to prevent a repetition of this incident.

In a similar vein, last summer the Commission proposed a ban on the export to third countries of dangerous pesticides, such as DDT, which are not allowed to be used within the EEC. While there is a clear moral reason for this proposal, it is also intended to tackle the international risk that pollution from exported pesticides might find its way back into the EEC.

Both measures are classsic examples of how EEC Environment Ministers often find that they have wider influence at their meetings in Brussels than they do at home. Inevitably however, the wider the scope of environment policy becomes, so the opportunity for political fricton increases.

The longstanding deadlocks over the Commission's proposals for reductions in pollution from car exhausts and lead in petrol are two examples of transnational proposals where member states in which environmental issues play a big role in domestic politics—West Germany, the Netherlands and Denmark—find themselves pitted against less prosperous nations that are anxious about the costs of implementing "green" ideas.

Exactly similar concerns are at the heart of the current impasse over the Commission's proposals for a 60 per cent cut in emissions of sulphur dioxide from power stations by 1993.

William Dawkins

Continued from Page 1

The accident rocked Switzerland's general reputation for cleanliness and efficency. Failure—through a mixture of incompetence, complacency and confusion—of the Swiss authorities to raise promptly an international pollution alarm on the Rhine, as required under international agreement, caused considerable anger in the countries downriver.

Although Sandoz says the financial impact of the fire will not have a significant effect on earnings, international lawyers can be expected to have a field day working through the settlement of insurance claims from four countries.

Meanwhile the company's worldwide public image has been badly dented, clearly, though intangibly, affecting the company's goodwill.

As for Sandoz itself: "Everybody's been quite shattered, from top to bottom," according to Mr Daniel Wagniere, member of the group's executive committee responsible for subsidiaries.

Company insiders admit that Sandoz has botched its public relations efforts in the wake of the fire. "It will take a large effort to try to put things right again."

For a company which has 46 per cent of its businesses in pharmaceuticals, with very little of the bulk chemical activities associated, for instance, with the German chemical groups down the Rhine, the accident was "a tragic irony," Mr Wagniere says.

The bitterness is clearly felt all over Europe—above all in Switzerland's northern neighbour. Mr Walter Wallmann, the West German Environment Minister, under heavy pre-election pressure at the end of last year to show action on ecological matters, claimed that Sandoz was operating the Basle warehouse illegally—a statement Sandoz denies.

Mr Wolfgang Munde, managing director of the German Chemical Industry Association, grouping more than 1,500 companies making up 90 per cent of the industry's turnover, has its own headaches as a result of the Sandoz affair.

Following the events of November 1, as well as of a string of well-publicised Rhine pollution spillages by BASF, Bayer and Hoechst late last year, German chemical companies face tougher environmental regulations in the new legislative period.

The German companies' release of toxic substances, though much smaller than the amounts washed into the river through the Sandoz fire, received far more than normal public attention. As Mr Wallmann himself acknowledges, it was the publicity rather than the leaks which were unusual—about 100 toxic releases into rivers are made a year by German chemical companies.

Tons of dead eels being hauled from the river in Germany

Rhine lessons

Sandoz has yet to have a full picture of the financial aftermath of the fire. A taste of the amounts which could eventually be at stake has been served up by a claim of FFr 257m announced by the French Government last month, which the company believes is exaggerated.

Sandoz says it will be able to meet most claims for damages out of its SFr 100m to SFr 500m insurance cover.

Any additional amounts which it pays out of its own funds are not likely to eat significantly into earnings, which totalled a record SFr 529m at the group level in 1985.

Nonetheless, Sandoz is clearly worried that, with the most important claims yet to be presented, it may run into unjustified pressure over damages.

"We will be willing to pay for any direct damage," Mr Wagniere says. "We are anxious to do our share in improving the Rhine but we are not willing to pay everyone for the same claim, nor are we willing to pick up the bill for pollution that everyone else causes."

A total of 350 damage claims—most of them relatively small local ones—have been submitted so far, of which about one third have been settled.

They did not include any French or Dutch claims, while of the German states (Laender) affected by pollution after the fire, only Baden Wuerttemberg (DM 8.5m) and Hesse (DM 1.8m) have announced figures.

What happens next is partly a matter of international politics—and of efforts to reduce damage to the company. Anxious to show contrition, Sandoz is spending SFr 15m on constructing catch-basins around the Schweizerhalle area to prevent any further risk of chemical leaks into the Rhine. It has also stopped the production and sale of mercury-containing products, which were being phased out anyway.

And it is talking, somewhat vaguely, about setting up some form of foundation to contribute to improving the state of the river.

EEC officials say that the Swiss Government is proving "very co-operative" in contacts prompted by the Sandoz accident to try to bring in wider European safety rules. The idea under discussion is to include Switzerland (along with other "third countries" such as Austria) in a chemical safety directive covering community members which came into force in 1982.

The directive was prompted by the Seveso accident in 1976—in which poisonous dioxin was spread across the north Italian town after an explosion at a plant belonging to another Swiss chemicals concern, Hoffmann La Roche.

Underlining, though, the tortuousness of international collaboration, the EEC Commission is taking legal action against several EEC countries—including West Germany—which have not yet brought the Seveso directive into their national laws.

And EEC officials are forced to admit that, even if Switzerland had signed the Seveso directive, the Schweizerhalle warehouse would not have been covered by the Community's safety regulations.

Widening the scope of the directive to include chemical stores away from actual production facilities is just one of the tasks which European environment Ministers face as the post-Sandoz era begins.

David Marsh

Awards for contributions to the environment

FOUR AWARDS for contributions to environmental protection are to be made available to British companies, research and educational establishments, and individuals during 1987.

The awards, part of Britain's contribution to European Year of the Environment, are being run by the Royal Society of Arts, and the winners will go forward to take part in an overall competition with projects from other European countries.

The four awards are:

- **Pollution Abatement Technology Award**, which aims to encourage the development of technologies which reduce the impact of industry in the environment, and their adoption by industry and similar groups.
- **Green Product Design Award.** This has as its objective the incorporation of environmental considerations into the earliest stages of product design, particularly though consideration of resource recovery and waste reduction.
- **Good Environmental Management Award.** This aims to encourage ongoing concern for the management of industrial activities to reduce or improve their impact on the environment.
- **Award for Export of Appropriate Environmental Technologies.** This is designed to encourage the export from Europe of environment related technology which has been specifically adapted to the needs of developing countries.

Further details from: Environment Section, RSA, John Adam St, London WC2N 6EZ.

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Progress in cutting vehicle exhaust and power station emissions has been slow

EEC rows over timetable for cars

THERE HAS BEEN a steady improvement in recent years in the control of air pollution from vehicle exhausts in Western Europe, but real progress has been delayed by disagreements and political in-fighting among members of the European Community.

Nearly two years since the EEC reached a so-called "compromise," which fixed a timetable and standards for reduced emissions from cars the arguments between Community members are still going on.

In particular, Denmark says the standards are not severe enough, is refusing to give way and insists on following the path being taken by Sweden, Norway, Switzerland and Austria towards the adoption of US-style emission controls for cars.

Greece, worried about the damage caused by pollution to the classical buildings of Athens, wants EEC aid before giving its approval.

The UK, France and Italy have yet to support more stringent proposals. Meanwhile, West Germany has been going it alone by offering financial incentives to motorists who buy "clean" new cars.

A meeting of the Council of Environment Ministers on March 20 might make the position a little clearer. Meanwhile, discussions have been going on in Brussels which could augment significantly the measures originally agreed.

The proposed additional measures might lead to restrictions on particulate emissions from diesel-engined cars. But there is still wide disagreement between member States on the limits that should be set and this could delay final agreement until 1988.

The Friends of the Earth environmental organisation is among those which complain that the EEC proposals are about three times weaker than those for diesel cars due to come into effect in the US this year.

Governments and industry are also considering whether to widen the emissions testing procedure for cars and to include higher, open-road speeds in the so-called urban cycle. But no decision on the new cycle is possible before November.

Further measures likely to take effect in the longer term include second-stage reductions in gaseous emissions from small (under 1400 cc) cars (a measure to be decided by the European Council by the end of this year) and light commercial vehicles.

Also potentially on the agenda is the control of evaporative emissions; particulate emissions from diesel-engined light commercial vehicles as well as in-service durability of emission control equipment.

As for the standards originally proposed, the motor industry accepts that full three-way exhaust catalysts of the type used in the US and Japan and which control emissions of carbon monoxide, hydrocarbons and nitrogen oxides, will have to be used on cars of more than 2-litres.

Some 1.4 to 2-litre cars might be able to use the new "lean burn" engines. Other cars in this category will have to use an oxidation catalyst as well as lean-burn technology.

Standards for under 1.4 litre cars are considerably less severe and almost certainly can be met by lean-burn engines alone.

However, there is always the possibility that a technological breakthrough will eliminate the requirement for catalysts, which tend to be expensive. Just how expensive is open to debate but even a company with a vested interest in catalysts, Johnson Matthey (a provider of some of the precious metals used), says that in West Germany the average extra cost is £214.

One example of potential technological breakthrough is provided by the UK group AE which has recently been testing—with good results so far—a radical piston design which might eliminate the need for either catalyst or lean-burn engines in any size of car.

Meanwhile, the introduction in Europe of cars using three-way catalysts calls for the widespread availability of unleaded fuel. Lead poisons the catalysts and makes them useless after only a few hundred miles.

The oil industry traditionally has put small quantities of tetra-ethyl lead into petrol as an anti-knock agent. So far no date has been fixed by the EEC by which all new cars must be capable of running on unleaded petrol, but manufacturers are working towards the target date of October 1989.

However, the UK Government in particular is pressing for the fast removal of lead from petrol because of fears that high levels of lead in the atmosphere can be absorbed into the blood and cause behavioural problems, lower IQs and reduced ability to concentrate.

To clean up Europe's car emissions will certainly be a long-term job. According to an extensive study by the consulting group DRI Europe, it is likely to be 1995 before the Community even approaches complete conformity with the standards proposed so far.

And given that some of the cars on Europe's roads will still be in use at the turn of the century, even by then more than one in three cars will not comply with the standards envisaged.

Kenneth Gooding

Consensus on acid rain

ACID RAIN was virtually unheard of outside scientific circles ten or 20 years ago. Today it is a by-word for damage to lakes and plant life caused by prolonged and widespread industrial pollution.

Although scientists are vague about many aspects of acid rain, there is a strong public and political consensus about the need for drastic cuts in emissions of sulphur and nitrous oxides, especially from fossil-fuel power stations, factories, and motor cars. It is a consensus which, like the pollution itself, transcends political and geographical boundaries, such as those which divide East and Western Europe.

The pace at which these cuts have been introduced in power stations has been dictated both by the extent of ecological damage and by the heavy additional cost to electricity production, especially where coal is the principal source of power generation.

A report published last December in Switzerland painted an alarming picture of the damage to forests by acid rain. In Switzerland, West Germany and France 50 per cent of trees were said to show signs of blight. There are also alarming reports from many parts of Eastern Europe.

There is less agreement over the speed at which emissions should be reduced. Western countries are currently divided between the members and the non-members of the so-called Thirty Per Cent Club, which pledge to cut their output of sulphur dioxide—SO2—by 30 per cent between 1980 and 1993.

The Club now includes 20 European countries but although its target has been endorsed by the European Commission not all EEC countries have yet joined it. The abstainers are Britain, Ireland, Spain, Portugal and Greece.

Britain, which is accused of exporting 11 times more pollution than it receives from outside, points out that its sulphur emissions have, nonetheless, dropped dramatically as a result of the extensive switch over from oil to coal in the 1970s. Last year, too, the Central Electricity Generating Board (CEGB) decided to install flue gas desulphurisation in three of its major 2,000 MegaWatt stations. It is also pledged to instal FGD in all new coal-fired plants.

Yet, 30 per cent is regarded as only the first stage of what is needed. The European Commission originally proposed a 60 per cent cut in SO2 emissions by 1993 and a 40 per cent cut in nitrogen emissions. Even Britain, which has not yet signed the 30 per cent commitment by 1993, has agreed in principle to a 60 per cent target by 2005.

Environmentalists in Scandinavian countries have been making urgent calls for 80 per cent reductions in sulphur emissions.

Meanwhile, there are wide variations in the corrective action taken by different countries. A survey to be published later this year by the Organisation of Economic Cooperation and Development will show that the US leads the world in the volume and percentage of its

Continued on Page 4

Europe's pollution—where the sulphur falls

	Sulphur dioxide emissions as sulphur 1983 (000s metric tonnes)	Sulphur deposited export/import	Import*	Promised reductions† (%)
Net exports				
United Kingdom	1,845	10:9	19	30 by 1999
Italy	1,900	6:7	22	30 1993
Spain	1,638	6:7	24	—
E. Germany	2,000	5:9	32	30 1993
Hungary	825	4:8	36	30 1993
Czechoslovakia	1,625	4:1	42	30 1993
Soviet Union	6,000	3:7	32	30 1993
Belgium	306	3:5	53	50 1995
Poland	2,050	2:9	42	—
W. Germany	1,375	2:0	53	65 1993
Denmark	151	1:8	69	50 1995
Luxembourg	14	1:7	78	58 1990
Ireland	70	1:4	69	—
France	1,015	1:3	60	50 1990
Netherlands	170	1:2	74	50 1995
Net imports				
Finland	180	0:7	74	50 1993
Austria	147	0:6	81	70 1995
Sweden	165	0:4	84	68 1995
Switzerland	43	0:4	89	57 1995
Norway	50	0:2	93	50 1994

Figures based on EMEP sulphur budget for Europe for 1984.

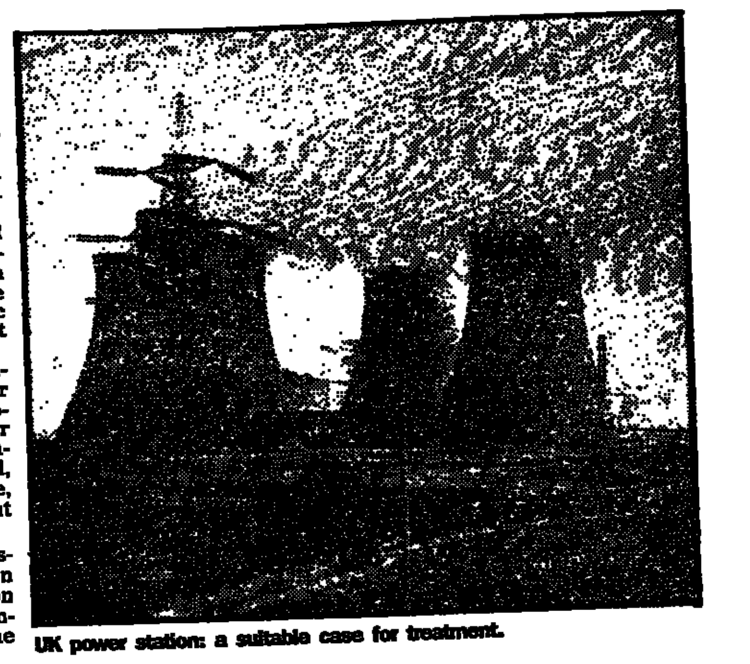
* Import figures show percentage of sulphur deposition originating from other countries.

† Reductions from emissions in 1980.

Source: United Nations and Friends of the Earth

Control equipment

Task creates a market



UK power station: a suitable case for treatment.

UNLIKE THE cost of acquiring pollution control equipment, the price European society pays for environmental pollution is not readily quantifiable.

But cleaner air and water does not necessarily imply a trade-off with better energy consumption and economic objectives.

The cost of pollution control equipment should not be a barrier to policy action within Europe, according to the Organisation for Economic Cooperation and Development (OECD).

A clean and healthy environment provides a catalyst for sustainable economic development, and is limited sooner or later if environmental degradation is allowed to proceed, according to Mr Erik Lykke, Director of the Environment Directorate of the OECD.

In the UK, much of the discussion on the possible reduction of levels of acid rain focuses on emission reduction by emission-reducing technologies at the power station.

The Watt Committee on Energy argues that, in practice, a combination of several approaches could be more effective in dealing with acid rain's effects and could be much cheaper.

In 1982, power generation accounted for 65 per cent of estimated UK sulphur dioxide emissions. More than 85 per cent of these, or over 50 per cent of total national emissions, came from coal-based power generation. Most of this resulted from power generation at just 20 main sites.

The committee highlights new processes, such as the Wellman-Lord process which produces concentrated sulphuric acid or elemental sulphur as a byproduct, at a cost of about £190 per tonne of SO2 removed.

It concludes that retrofitting flue-gas desulphurisation (FGD) to power stations on a large scale would give a once-and-for-all increase in electricity tariffs of four to five per cent.

The Central Electricity Generating Board's cost estimates are in fact somewhat higher.

The capital cost of providing an FGD process at a new 2000 MW power station would vary between £60m and £125m depending on the system selected, according to the CEGB, the lower figure applying only to sea-water washing.

The increase in the total electricity generation cost (revenue costs plus capital repayment), would be between £24m and £30m per annum, these figures also allowing for the cost of replacing lost output from the station due to the consumption of electrcity by the FGD process.

Turning to the problems of water pollution, Europe will spend $16bn on mechanical equipment to treat fresh and waste water over the next ten years, according to market research by Frost & Sullivan.

The market in 1985 was $1.3bn and will expand at an average rate of 3.4 per cent per annum.

"The largest individual market is that for Germany with about one quarter of the total, followed by France and the UK, both at 17 per cent, and Italy at 8.5 per cent," Frost & Sullivan says.

The transfer of technologies to the commercial sector is likely to play an increasingly important part in the development of pollution control equipment.

In the UK, the Department of Trade and Industry's Warren Spring Laboratory is heavily involved in this work.

Mr Doug Cormick says: "The Department of Energy is interested in giving licences to certain types of combustion plant and we are involved in that. And in certifying smokeless fuels. We also work with the major trade associations.

"Some of the equipment we use involves some commercially available components put together to suit our particular purpose. For example, we have devices for detecting sources of particular pollutants which are only sampled when the wind is coming from a particular direction.

One indication of the buoyancy of the pollution control equipment industry is the number of trade fairs, exhibitions and conferences which are held, and staged this year in Milan, Munich and Birmingham.

Birmingham's three-day International Pollution Abatement Fair begins on April 6 at the National Exhibition Centre. A parallel conference will look at air, water and land pollution.

More than 60 companies and organisations will be exhibiting from the UK, France, Germany, Belgium, Finland and the US, including non-commercial organisations like the National Society for Clean Air, Warren Spring Laboratory, Harwell Laboratory, Water Research Centre and the Laboratory of the Government Chemist.

Boris Sedacca

Acid rain consensus

Continued from page 3

coal-fired power stations fitted with FGD.

According to the survey, prepared by the International Energy Agency's Coal Research division, the US now has FGD in 55,000 MW of coal-burning generating capacity. By 1992, it will have been installed in a further 44,000 MW, raising the percentages power stations with FGD from 18 per cent to 31 per cent. In Japan, 85 per cent of the total coal-fired power stations now have FGD..

Western Europe's biggest clean-up programme is in West Germany, which expects to halve its SO2 output by two-thirds by 1995. Under Bonn's tough clean-air legislation introduced four years ago, some DM 28bn (£9.85bn) is being spent on installing FGD in 46,000 MW of coal-fired power stations by 1988. Work has already been completed on 7,000 MW of capacity, a further 6,000 MW are under construction, and FGD for a further 23,000 MW is on order.

Over the same period, France, the Netherlands, Norway, Sweden and Denmark expect to more than halve their SO2 emissions, but Britain's output is expected to fall by no more than a third.

FGD involves trapping the sulphur fumes in a neturalising agent—such as limestone or sodium. There are more than 100 different ways of doing this on offer, which broadly fall into two categories—regenerable and non-regenerable.

In non-regenerable systems, the SO2 is permanently bound in a chemical compound which has to be disposed of as waste slurry or sold as a by-product, such as gypsum. In regenerable systems, the SO2 is removed from the sorbent and regenerated as a sulphur product.

Most of the FGD systems in use are of the non-regenerable variety, and are based on either lime or limestone and, apart from those in the US, are mostly designed to produce high quality gypsum. Limestone is by far the most commonly used reagent for new installations in Europe and Japan.

However, in some countries, such as West Germany, the result has been to flood the market with a surplus of gypsum. The consequent waste disposal problem has been described as merely transferring pollution from the air to the ground.

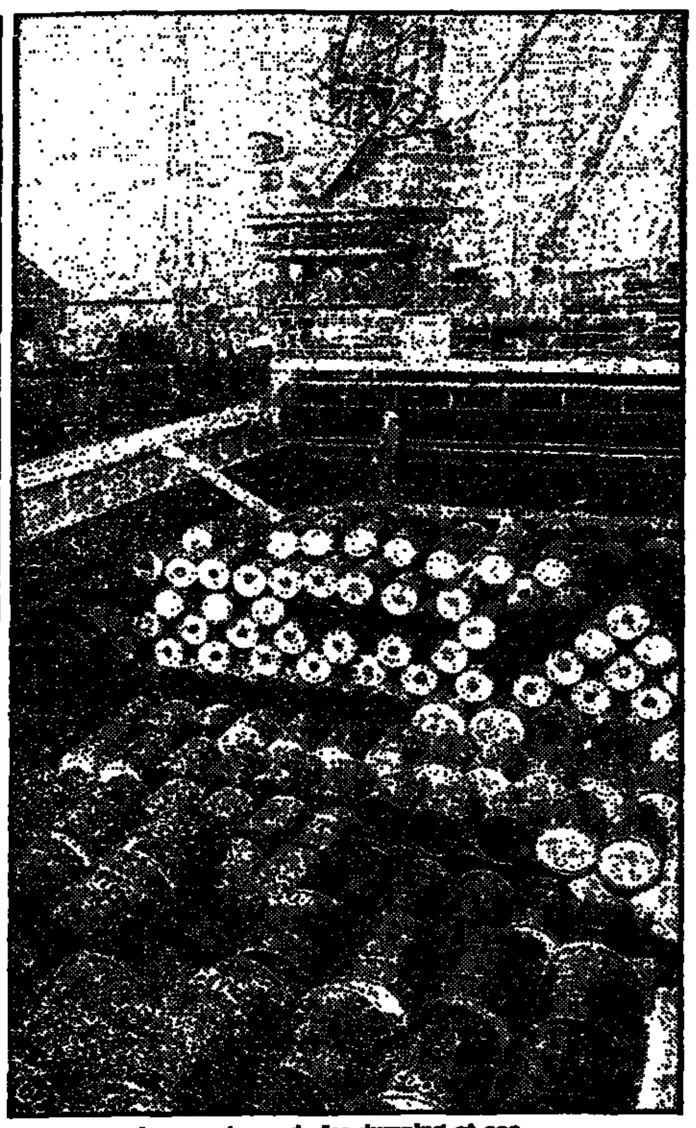
Hence the growing interest in the regenerable systems, especially as these may also help to cut emissions of nitrous oxide (Nox), which according to some scientists is a bigger culprit than sulphur in damage to forests, although not to lakes.

Power stations are less responsible for Nox than they are for S02 emissions. Nevertheless, they are under pressure to reduce their Nox emissions as well by trying to develop low Nox burners.

In Britain, the CEGB is conducting a series of major trials, including a £2.5m modification of a boiler at the Fiddler's Ferry power station in Cheshire and a £2.75m trial at Eggborough power station in Yorkshire.

But it is a slow process. It is also expensive: the total cost of modifying all the CEGB stations in this way would be about £250m.

Maurice Samuelson



Britain's nuclear waste ready for dumping at sea.

Nuclear waste

More opposition to dumping

INTERNATIONAL NUCLEAR experts like to say that political, not technological factors, provide the key to the feasibility of long-term disposal of atomic waste.

Research, co-ordinated between the main nuclear countries, over methods of treatment of radioactive wastes ranging greatly in danger levels have concluded, the experts say, that there are no scientific barriers to disposal.

But growing worries in the general population about the environment in general and the nuclear industry in particular have made the question of public acceptance an ever-increasing factor.

Arguably, it is one to which the atomic business—attuned since its military beginnings in the 1940s and 1950s to an atmosphere of secrecy—has not paid enough attention.

Now, even in France, where a broad public consensus for the country's nuclear programme traditionally has existed, difficulties are starting to multiply over finding adequate long-term underground storage sites for high-level waste.

The widespread confusion created by European governments' widely differing approaches to radiation safety levels and counter-measures after the Chernobyl nuclear accident has left a powerful legacy. It has increased still further suspicion among public opinion about the nuclear authorities' reassurance on safety.

This has added to the difficulties—not only in the nuclear field, but also concerning waste for instance from the chemical industry—of obtaining licensing permission for long-term dumps.

Nuclear utilities and the atomic business face a two-pronged attack. For, at the same time as safety concerns have become more acute, the economics of nuclear waste disposal—cause and effect of a continued debate over the wisdom of reprocessing—have moved against the nuclear industry.

The Paris-based Nuclear Energy Agency (NEA), an offshoot of the Organisation for Economic Co-operation and Development, has cast doubt on the economics of the reprocessing option in a series of reports in the last few years.

Reprocessing — under which plutonium is separated from spent uranium fuel — has been favoured by a number of important nuclear countries for both ecological and economic reasons.

Separation of the spent fuel, it is argued, limits the amount of high-level waste which ultimately needs to be vitrified and stored in safe underground sites. This amounts to about 3 per cent (for fuel from light water reactors) of the spent fuel arising.

At the same time, both plutonium and potentially reusable uranium (with a slightly higher fissile content than natural uranium) are generated which can be recycled into both fast breeder and light water reactors and so lower the overall cost of electricity generation.

This calculation was in order so long as the nuclear industry could rely on a steady build-up in the number of plutonium-burning fast breeder reactors coming on stream in the next decades.

It was also predicated on the expectation that, as a consequence of expansion of "first generation" thermal uranium-burning reactors, the price of natural uranium and of uranium enrichment would move up steadily in coming years.

These two conditions provided the basis for the decisions made by France to build up commercial reprocessing capacity at its plant in La Hague near Cherbourg during the 1970s. However, the arithmetic has since changed considerably.

In a projection which now has a distinctly surrealistic air, Mr Andre Giraud, head of the French Atomic Energy Commission in 1976, and now France's Defence Minister, was predicting a decade ago that by 2005 a total of 500 fast breeders of the size of France's Superphoenix fast breeder would be on stream around the world.

In fact, it can be calculated with a fair amount of certainty that no more than a handful of Superphenix-type plants will be producing power by then.

This is one of the side-effects of the prolonged slowdown of nuclear construction around the world. This has also taken away another plank from the arguments advanced by fast breeder backers by causing the uranium price, far from climbing astronomically as some nuclear lobbyists were forecasting, to stagnate.

The net effect of these complex developments has been to change the shape of the waste disposal landscape awaited by nuclear experts for the year 2000.

On the one hand, less irradiated fuel will be produced. The NEA forecasts that 9,300 tonnes per year of spent fuel will come out of OECD N-plants by the end of the century, down considerably from 12,460 tonnes forecast only in 1983.

On the other hand, it seems likely that utilities' desire to reprocess this material to free reusable plutonium will ebb considerably once the present long-term reprocessing contracts expire.

Countries led by West Germany—which entered early into reprocessing contracts for regulatory reasons—are turning increasingly to disposal of generated plutonium not in fast breeders but in thermal reactors through so-called mixed oxide recycling.

But this is admitted by the French to be only a second-best solution. And the NEA said bluntly in a report last year that the cost of reprocessing "is not offset by the value of the materials produced."

This will mean that pressures will grow for countries to build intermediate storage sites for spent fuel. Waste could be stored underwater in pools for 20 to 50 years to dissipate heat and allow some radioactive products to decay.

This would give utilities more time to make up their minds. At the end of this time, they would have to decide whether to go for reprocessing—or whether to seal away waste in geological repositories capable of shielding the environment from contamination for millions of years.

There is no shortage of geologically-suitable sites in Europe. But public opposition to such dumps is likely to occupy the headlines in coming years.

David Marsh

Landfill disposal of chemicals is only a partial answer

Toxic waste a vexed problem

THE MANAGEMENT of toxic and chemical waste is a particularly vexed question in the field of pollution control, and the battle lines are sadly familiar. In the UK, environmental groups argue that by EEC standards the UK authorities are permissive and the chemical industry lax, and the industry charges the environmentalists with ignorance and partiality.

Toxic waste goes either into the ground, into water or into the atmosphere. According to a 1986 report from the Hazardous Waste Inspectorate, England and Wales in 1985 produced 3.5m tonnes of hazardous waste.

Of this, 79 per cent was used as straight landfill, another 4 per cent was solidified and then used as landfill and just under 2 per cent went down mine shafts. A further 7 per cent was dumped at sea or incinerated at sea, and the remainder was either chemically treated or burnt in land incinerators.

Diane Brown, of the Chemical Industries Association, says "Whatever chemical process you have, and no matter how good your processing technology, you will have some waste. Recycling is encouraged, but it has to be economic, or it's not viable.

"In a sense, the whole chemical industry has always been based on recycling. When you produce a chemical, you also make by-products, and you look for a use for them. But very often a process just produces a horrible gunge which is of no use to anyone. It's nonsense to say that if you recycled enough and had tight enough controls there wouldn't be any waste at all."

The UK's heavy reliance on landfill is a bone of contention with environmentalists. Andrew Booth of Greenpeace says: "One of the greatest concerns is the way the UK is operating in isolation from the rest of Europe. Because Europe has identified UK standards as lax on landfilling, there is an increasing tendency for waste to be exported from Europe to go into holes in the ground in the UK."

The industry, however, points out that landfill is the cheap approach, and also denies that UK practice is indiscriminate.

"Landfill is not a single option," Diane Brown says. "It varies according to the relationship with the water table, and so on. Some things can go to landfill, but it depends on the properties both of the waste and the site."

The sites chosen for landfill are usually mineral extraction sites, such as the clay deposits in Bedfordshire used for brickmaking. A common practice in the UK is so-called co-disposal, whereby industrial waste is mixed in with domestic waste which is in the process of rotting down.

The mixture is then compacted and covered with soil, and built up in layers. Properly handled, there should be a process of degradation, rather similar to a sewage works under the ground.

Another technique is to solidify the waste in a cement-like matrix which sets hard and holds the waste in a block. The method is limited in application, since with most organic waste the cement will not set. It is, though, a common way of handling cyanide wastes.

Deep mine disposal, as the Inspectorate's figures show, is rare in the UK. Diane Brown says: "In the US, they drill right down into the earth as a means of getting rid of waste, but it's something we're not that happy about. You can come across water pockets and all kinds of things if you go down deep, and we don't know enough about where the stuff's going to go."

The exception is ICI's salt mines in Cheshire—huge cathedral-like caverns underground scoured out by the extraction of salt by water, and regarded as safe for toxic disposal.

ICI turns up in a more controversial guise as joint owner (with Cookson Group) of Tioxide, Europe's biggest producer of titanium dioxide, the white pigment used in paint manufacture. Along with SCM, now a subsidiary of Hanson Trust, Tioxide has been blamed by environmentalists for polluting the River Humber with effluent—based on sulphuric acid or chlorine—from the manufacturing process.

Greenpeace says: "Titanium dioxide is a classic case of the UK setting bad precedents compared to Europe. If Tioxide or SCM were in Germany or Holland, they'd now have to recycle by 1989. But the UK has reserved its position on the EEC Directive on waste from the titanium dioxide industry."

Indeed, a House of Lords Committee concluded in 1985 that the draft Directive would actually have adverse results on the environment, and would do no good to the Humber. The argument is a long-running one, with the industry (backed by academics and the local water board) arguing that emissions into the river, while staining beaches an unsightly red colour, does no actual harm to marine or other life.

The argument points to a central difference in attitude between the UK and the EEC over the whole issue of pollution control. Europe proceeds on a strict basis of laws controlling what may or may not be emitted.

The UK, by contrast, works by so-called environmental quality objectives. That is, the effect of a given substance has to be judged according to the character of the environment—a fast-flowing stream versus a pond, for instance—into which it is being released.

Plainly, though, the UK position is not wholly satisfactory. One expert witness recently described the framework of law in the UK as adequate, but remarked that the law's application was "ramshackle and antideluvian."

The Chemical Industries Association has just produced a couple of booklets which set out the best practice for toxic waste disposal, including methods of landfill. The industry rejects charges of laxity in principle, but there is an implicit recognition of occasional backsliding in practice.

Tony Jackson

Fresh water

Pressing need for treatment

THE DISASTROUS Sandoz leak was but one of several serious spills into the Rhine from chemical plants in Switzerland and West Germany last year that carried mercury-based insecticides and weedkiller into the river, which provides drinking water for 20m people.

Together, they focus attention on one of Europe's most pressing environmental problems—the pollution of fresh water resources.

The pollution stems from many sources. Industrial effluents carry metals such as cadmium, mercury, nickel, copper and zinc; detergents containing phosphorus upset the balance of water in lakes, rivers and estuaries; nitrates from fertilisers may be washed out of the soil and into both surface and groundwaters; and sewage which has been untreated, or insufficiently treated, may overload the regenerative capacity of the water into which it is discharged.

These problems occur throughout the world, but the Rhine, which has been called "the sewer of Europe" runs through an area of exceptionally concentrated and varied industry and heavy population and is an important illustration of the impact of these on a major international river.

While the Rhine supplies drinking water, it also provides a convenient disposal system for human and industrial wastewater from five riparian countries. More than a century and a half ago, the poet Samuel Taylor Coleridge wrote: "The river Rhine it is well known, Doth wash the city of Cologne, But tell me, Nymphs, what power divine, Shall henceforth wash the river Rhine?"

Water industry specialists have tried to provide an answer to his question. Techniques for removing harmful substances from water have been developed and water used for drinking is treated to a high standard: industries have been encouraged to clean their effluent before it is discharged into the river, and urban authorities have built high technology sewage works to reduce the impact of human waste on the ecological balance of the river.

At the same time, the number of potential pollutants has risen, and the pollution concentrations rise progressively as the river travels from Switzerland through France, Luxembourg and West Germany.

The Netherlands, at the end of the line, receives the accumulated waste from the four upstream countries and from the Rhine's major tributaries, the Moselle, the Main, the Ruhr and the Lieppe which drain some of the most highly industrialised areas of western Europe.

Before the recent chemical disaster, the Netherlands' main complaint was against France which releases a million tonnes of sulphate each year from the Alsace potassium mines into the Moselle. The 1976 Rhine Salt Treaty committed all member states of the International Rhine Committee to reduce the salt load.

The treaty became effective in 1980 and all dumping since then has been carried out illegally. However, France has had great difficulty in finding alternative methods of disposal for the large amounts of salt which are produced by the potash mines.

According to European Economic Community statistics, in 1982, the Rhine discharged 23,000 tonnes of orthophosphate, 350,000 tonnes of nitrate, 5.6m tonnes of sulphate and over 11m tonnes of chloride into the Netherlands' coastal waters. While the exact source of these pollutants could not be accurately established, the main inputs occurred upstream of the Netherlands' border. Thus the Netherlands, which takes 70 per cent of its drinking water from the Rhine is faced with the high cost problem of cleaning Rhine water to an acceptable drinking water standard.

Because of its wide implications for the ecological, commercial and political relationships between member states, the European Economic Community has directed considerable attention to the development of policies aimed at protecting fresh water resources.

In 1976, a Dangerous Substances' Directive identified two classes of substances which should be controlled. List one, the "black" list included all those considered toxic, persistent and bioaccumulable, and therefore requiring stringent control while list two, the "grey" list was for substances considered to be less dangerous but which also needed to be reduced.

"Daughter" directives looking at specific substances and setting out objectives for their control have since been adopted for mercury, cadmium, lindane, pentocholorphenol, carbon tetrachloride and DDT. In addition, 129 other substances, including various pesticides, have been identified for urgent consideration as list one products.

While the Community has the ability to set out requirements, it has neither the resources nor the personnel to enforce these directives, although it can take member states to the European court. On the whole, it is up to individual countries, or individual water authorities to ensure that industries are aware of their obligations and, if necessary to enforce regulations.

In 1980, a Drinking Water Quality Directive which applies to water for human consumption was adopted. It allowed a five year period for member states to plan their strategies to reduce levels of nitrates, chemicals, lead, pesticides etc in drinking water and set out the required parameters. For many substances it set a Guide Level and/or a Maximum Admissable Concentration, and for a few a Minimum Required Concentration.

Countries with a high level of intensive agricultural production and animal husbandry are having difficulty in complying with the directives Maximum Admissable Concentration for nitrates which is 50 milligrammes a litre.

Nitrate levels have risen dramatically in recent years due to increased use of fertiliser. In Denmark, for example, the average nitrate level in groundwater has tripled in the past 30 years and in the UK, the Department of the Environment's Nitrate Co-ordination Group has reported that it would cost $300m in capital costs to ensure that nitrate concentration in public water supplies are kept below the limit.

Nitrates are very difficult to control because there is no specific point source. Rainfall following a dry period may release large amounts of nitrates which have been stored for months in the soil so concentrations are widely fluctuating and seasonal. Another agricultural effluent which affects fresh water quality is pig waste, which is very high in ammonia. Denmark has recently introduced legislation to try to reduce the strength and quantity of pig waste which is polluting groundwater. The Netherlands also has problems with animal waste.

Italy is due to publish its first review of fresh water quality later this year, following a decade of intense effort to control pollution from industries, agriculture and domestic waste.

Spain, Greece and Portugal, new members of the EEC are being allowed time to review the state of their inland waters and to draw up plans to meet the EEC directives. They are expected to produce national legislation which is in line with the Community's international objectives.

Annette Bingham

Developing a biological sewage process

Saving the Mersey

WHILE a huge clean-up has made the River Thames fit enough for salmon to live in, England still has one of Europe's most problematical and polluted rivers.

A $5,000m project to clean up the entire River Mersey, which runs through the urban conurbations of north-west England, has begun and, with EEC help, is projected to continue into the next century.

The river is already benefiting from a programme of emergency action to treat pollution blackspots.

The Mersey's problems stem from 200 years of unregulated industrial development—and from the human wastes of 5m people living in one of the world's most densely-populated areas.

While dramatic reductions in the metal content of the water have already been achieved, untreated sewage is the main contaminant.

In 1980, over 1,000 outfalls were discharging untreated sewage into the Mersey estuary, while over-loaded and delapidated treatment works within Greater Manchester poured partly-treated effluent into the upper reaches of the river.

The European Development Fund has allocated $120m towards a 15-year emergency clean-up programme. A $60m sewage treatment plant being built on a reclaimed dockland site in Liverpool will effect a big improvement when it goes into operation in two years' time.

Investment in treatment works for the other main estuary towns and a further $60m for new sewers should solve the most acute problems in the tidal system.

Further upstream, sewers carry both foul and surface water drainage and discharge foul flows as soon as there is any rain. Thousands of kilometres of new sewers are needed and treatment works will have to be expanded and updated.

If the Victorian city fathers of Manchester and Liverpool had been obliged to extract their drinking water from the Mersey, the river would never have been allowed to fall into such a state of neglect.

However, they found it cheaper and easier to turn to upland supplies from the Lake District and North Wales, and the river became an open drain. There were no regulations controlling discharges into the river until the 1960s.

Victorian London, on the other hand, had no easy access to unpolluted upland water.

More than 100 years before any attempts were made to protect the Mersey, legislation was enacted for the Lea and the Thames and river conservancy boards were set up to protect catchments which would be used for drinking water.

The major attempt to clean up the estuary started in the 1960s and two large treatment works were expanded and modernised.

Industry, including Ford at Dagenham, was encouraged to invest in purpose-built treatment works. As a result, the first salmon to be sighted in the Thames this century was found in 1974.

Annette Bingham

Marine risks

Issues of international law

MARITIME POLLUTION has become an issue of increasing international concern over the last 25 years as the world's shipping fleets have carried an ever-growing volume and variety of dangerous and environmentally damaging substances.

The potentially serious nature of the threat has been illustrated a number of times, most notably by the wreck of the Liberian-registered tanker Torrey Canyon off Cornwall in 1967, when more than 30,000 tons of oil were released into the sea.

The lesson was brought home by the loss of the Amoco Cadiz, owned by Standard Oil of Indiana, off the coast of Brittany in 1978, when about 100 miles of French coastline were heavily polluted.

Less spectacular instances of pollution occur every day, however, often as a result of routine shipping operations, and sometimes because of deliberate dumping.

Many of the world's oceans are also at risk from pollution from land-based industrial by-products, as well as agricultural pesticides and herbicides, nuclear discharges and effluents from urban areas.

This sort of pollution is largely within the power of individual governments to control, and many have made significant steps forward.

By its very nature, however, pollution from ships has proved difficult for individual countries to deal with, not least because of the issues of international law involved.

In many cases, ships and cargoes may be owned by companies in different countries, with crews from a third. The effects of a spillage may also be felt in more than one country, sometimes far from the location of the discharge.

As a result, it has long been recognised that action by individual countries could make only a small impact on the problem, and a variety of unco-ordinated national measures could well make matters worse.

The difficulties were first recognised before the First World War, largely because of oil pollution of ports and harbours. By the 1930s, a number of countries had taken measures to control discharges of oil within their territorial waters, including fines for illegal discharges.

International measures were considered, but no agreement had been reached by the outbreak of the Second World War, and it was not until 1954 that the first co-ordinated action was agreed at a conference organised by the UK.

This convention was aimed primarily at pollution resulting from loading and discharging, and the release of oily wastes from machinery spaces—still the major causes of oil pollution from ships.

The 1954 convention was regarded as a good first step towards controlling the dangers of pollution. But rapid growth in the volume of oil carried by sea, and concern over the increasing size of tankers, led to the establishment in 1959 of the International Maritime Organisation, a United Nations organisation with responsibility for most issues concerned with safety at sea.

The Torrey Canyon disaster spurred the IMO to convene a conference of all maritime nations in 1973, which adopted the International Convention for the Prevention of Pollution from Ships (Marpol).

This convention, which forms the basis of current international law on maritime pollution, deals largely with technical requirements intended to reduce the risk of pollution.

It is backed up by nearly 30 other international treaties, including one dealing with the rights of nations to take action against pollution following actions to ships outside territorial waters, and another making shipowners liable for compensation.

Serious tanker spills

(6,000 tons gross and above)

	No. of Spills	Vessels at risk	% Spills
1978	84	3440	2.5
1979	107	3346	3.2
1980	72	3362	2.2
1981	93	3274	2.8
1982	59	3215	1.8
1983	61	3100	2.0
1984	58	2913	2.0
1985	50	2793	1.8

Source: IMO

In tonnage terms, by far the most important pollution resulting from shipping operations is oil. The National Academy of Sciences in the US estimated in 1980 that as much as 3.54m tons of oil entered the sea every year, of which about 1.5m tons came from ships. (The rest came from land-based activities and included industrial wastes and natural seepage.)

The NAS estimated that about 390,000 tons of oil are spilt every year following tanker accidents, usually groundings and collisions.

A much greater quantity of oil enters the seas as a result of normal tanker operations, however, usually associated with the cleaning of cargo residues while ships are en route from discharging at one port to reload at another.

The residue normally amounts to some 0.4 per cent of the cargo-carrying capacity of a tanker—or about 800 tons for a ship of 200,000 deadweight tons. As much as half of this can be lost overboard during cleaning.

This form of pollution has declined in recent years as a result of technical advances in cleaning techniques, backed up by IMO conventions, but is still estimated at about 700,000 tons a year by the NAS.

The most common pollution incidents occur during terminal operations, when oil is being loaded or discharged. This accounts for up to 92 per cent of all spillages, according to figures issued by the International Tanker Owners' Pollution Federation (ITOPF), and the effects can be severe because the discharges occur close to shorelines, and often in confined areas such as ports.

The quantity of oil discharged is usually small, however, and only about 20,000 tons a year is released in this way, according to the NAS.

There has been less public concern about the dangers of chemical pollution, even though some of the chemicals carried by sea are far more dangerous than oil to the marine environment.

Some are so poisonous that even a small amount can cause major damage to marine life. Others can build up in the food chain until they are present in sufficently large qautitites to present a danger to human health. Some are so persistent that they can be dangerous for hundreds of years.

Among the most common chemicals transported in bulk by sea are sulphuric acid, phosphoric acid, nitric acid, caustic soda, ammonia, vegetable oils and animal fats, molasses and alcohols, petrochemical products, and coal tar products such as benzene, phenol and naphthalene.

Kevin Brown

UK COMPANY NEWS

TI to sell domestic appliance side

BY CLAY HARRIS

TI Group yesterday staked its future firmly on specialised engineering, confirming that it is too sell its remaining domestic appliance operations.

It also reported a 42 per cent rise in pre-tax profits to £43.4m (£30.6m) on sales of £1.04bn (£997m) in 1986.

The businesses to be sold include Greda/Jackson, New World, Glow-worm and Parkray, *manufacturing products* ranging from gas and electric cookers and fires to microwave ovens, central heating boilers and solid-fuel appliances.

TI said that it was seeking the highest possible price and would consider offers for the whole division for individual businesses.

"The maximum value could well lie in two purchasers, maybe three," Mr Ronine Utiger, chairman, said yesterday.

Analysts suggested yesterday that the businesses could fetch up to £200m. TI said that it had already received several approaches. The sale will be handled by S. G. Warburg.

TI RESULTS BY SECTOR

	Turnover 1986 £m	Turnover 1985 £m	Profits before interest 1986 £m	Profits before interest 1985 £m
Specialised engineering	258.6	243.4	18.4	12.7
Automotive	197.6	189.6	14.9	13.4
Specialised tube	144.2	154.2	8.7	13.4
Domestic appliances	297.8	270.3	28.1	21.1
Cycles	143.8	137.6	2.4*	4.6*
Other costs	—	—	1.5†	3.3†
Total	1,043.6	997.1	58.4	50.7

* Loss. † Deficit.

Mr Christopher Lewinton, chief executive, said the decision to sell was based solely on TI's new corporate strategy, which the company said yesterday was "to concentrate on *specialised engineering* businesses, operating in selected niches on a global basis.

"Key businesses must be able to command positions of sustainable technological and market share leadership."

The planned disposal, along with the previous *sales of* Raleigh bicycles and Russell Hobbs and Tower Housewares small appliances, will remove businesses which contributed *more than 40 per cent of TI's* turnover last year.

The company has subsequently paid £27m for the European small-diameter tubes business of Armco, the US steel group.

All divisions showed a better performance with the exception of specialised tubes, which were hit by a fall in demand from the oil industry, and domestic appliances, which suffered from money-losing *Russell Hobbs* and fierce price competition in microwaves.

TI reported a huge rise in extraordinary charges to £68.4m (£4.6m), reflecting the assets write-down on the sale of Raleigh, the closure of a gas cylinder plant in Oklahoma and machine tool *rationalisation.* Interest costs fell to £15m (£20.1m).

Earnings per share advanced to 46.7p (29.6p). A final dividend of 10p (8p) would lift the total to 16p (13p). TI will propose a two-for-one share split. Its shares added 20p yesterday to 673p.

See Lex

Nick Garnett takes a look at TI's rapidly changing shape

Showing the signs of corporate anorexia

"*WHAT WORRIES* me *is* growth in earnings per share. If I can get margins up to 10 per cent on sales I do not mind how big we are."

Mr Christopher Lewinton, brought in to TI as chief executive last year, makes no *bones* about *what* will be from now on the main operating goal for a manufacturing group whose *roots* go deep into the UK's engineering fabric.

On the issue of size he is certainly practising what he preaches. After selling off in January Raleigh bicycles, which last year contributed close to *14 per cent* of the group's £1.04bn turnover, TI is now putting up for sale the whole of its domestic appliances *business.*

This will shovel another huge chunk off the group's books, slicing £250m or so off turnover and removing £20m of profits. It represents one of the most striking upheavals in recent years in the structure of a British engineering-based company.

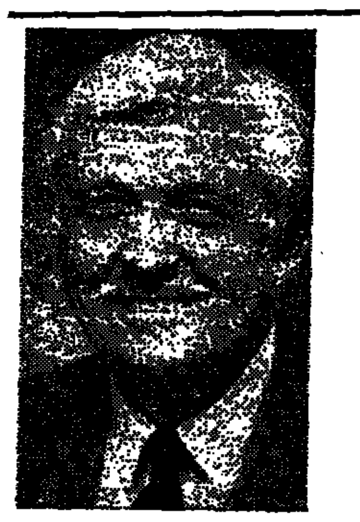
TI tripped into 1987 with three broad groups of manufacturing activities—the bicycle business, domestic appliances whose brand names include Creda, New World and Glow-worm and a collection of specialist engineering and automotive component businesses.

Brought in to give TI new direction, Mr Lewinton has effectively dissected the company. *Raleigh has now gone, the* domestic appliance empire—pieces of which were sold in December—is being broken up and sold off and TI has set out to become almost entirely a specialist engineering company.

Some might wonder if this is another example of a British big-name manufacturer shedding so much bulk and presence that it shows signs of developing corporate anorexia. It is one thing to flog off companies, another to find good ones to buy.

Mr Lewinton has a string of explanations, based on where he and presumably now the TI board believe the group's best interests lie.

These arguments fall into three slots. First, Raleigh: time had run out for the loss-making bicycle company, Mr Lewinton says. A lot of good work had been done in the past few years, especially under Mr Ronnie Utiger, TI chairman, to try to bring it round.



Mr Christopher Lewinton, chief executive of TI

'If you look at specialist engineering all I am doing is feeding to a strength. I will reinvest resources in companies which fit in with this engineering strategy'

At the end of the day, however, TI could not really manage Raleigh properly.

This, says Mr Lewinton, was partly because Raleigh needed a marketing-led *approach* which TI could not give. "Deep within it, TI is an engineering company. It doesn't really have a consumer culture."

Mr Lewinton insists *that* Raleigh will be much healthier under its new owners, a specially created US-led consortium.

Second, the new strategy reflects his belief that TI had *neither the financial* resources nor the breadth of management to run both its specialist engineering businesses and its domestic appliance companies.

A *signal of what was coming* was the sale in December of Russell Hobbs and Tower Housewares for £12m to Polly Peck. Mr Lewinton, taking the board *with him after* some pretty forthright exchanges, had decided that TI could not make it as a major domestic appliance manufacturer in a world where medium-sized players were being squeezed.

The logic behind this thinking appears to be that the domestic appliance market is being increasingly dominated by a smaller number of very large producers like Electrolux, Siemens and Philips.

"You have got to be a global player or you end up with a big problem," he says.

One alternative was to buy up appliance producers in *countries other than the UK* but that was ruled out.

So the third plank in the TI policy is the belief that specialist engineering is where it really belongs, and where it can make a lot of money.

"The reason I am confident is that if you look at specialist engineering all I am doing is *feeding to a strength. I will* reinvest resources in companies which fit in with this engineering strategy.

"The closer I can get to core *businesses the less risk I've* got." The sale of domestic appliances could bring in more than £150m the group estimates.

TI *recently purchased* for £27m the European small-diameter tubing division of Armco, the US steel group. There are rumours that TI is already in discussions *for* the purchase of two companies, one large enough to replace a big piece of the turnover that will be lost with the sale of the appliance businesses.

TI already owns a clutch of companies making a diverse range of products. For example, Tru-Form makes aircraft engine rings and Abar Ipsen makes heat treatment equipment. Seat slides and car silencers are two of its products in automotive components.

Many of these have a large proportion of sales outside the *UK, fitting in with Mr Lewinton's* near obsession with an international outlook.

TI's existing non-automotive engineering businesses recorded a 60 per cent growth *in* earnings and margins over the past three years and the automotive component companies also faired well.

An outsider might argue that this policy could be putting too many eggs in one basket, particularly as many markets for engineered products go through some *wildly* fluctuating demand cycles.

Mr Lewinton says he has the right management team to choose acquisitions carefully.

All these changes do not mean that TI's existing engineering activities will be left intact. Some senior managers in TI expect its machine tool *business will be sold eventually* as well as *some of its* seamless tube operations.

TI's chief executive argues though that the financial bleed*ing has been stopped with the* sale of Raleigh and the board can take a more relaxed view about what needs disposing of next.

There is also a concerted effort underway to change TI thinking and style. Head office has been brought down from the Midlands to London's *Curzon Street.*

Mr Lewinton clearly feels that there was a conflict between international business and regional Midlands thinking *at TI that bordered on the* schizophrenic.

Individual TI companies will have much closer control of their cost bases from now on as *the TI holding company* becomes less of an operating agency.

More incentives for managers are promised and a closer work*ing arrangement between manu*facturing, design and research and development, the last function carried out in a rather isolated operation near Cam*bridge.*

That still leaves the question though of finding companies that fit into TI's new niche engineering strategy. "They *won't* be cheap and they won't be easy," says Mr Lewinton.

ScanBank allotments severely curtailed

By David Lascelles, Banking Editor

Investors subscribed nearly £1bn for Scandinavian Bank's novel multi-currency share issue, forcing a severe curtailment of allotments.

The *bank* announced yesterday that it had received 132.020 applications totalling £988m for the £57.75m worth of shares on offer, meaning that the issue was oversubscribed 17 times. The bulk of these, over 126,000, were for 5,000 shares or less.

Mr Garrett Bouton, the chief executive, said he was delighted with the response, which reflected a broad geo*graphical spread and a good* balance between retail and institutional investors.

There will be a ballot for applications of up to 5,000 units. Larger applications will be scaled down to 10 per cent or less depending on the size. Applications from the bank's employees will be accepted in full.

Mr Bouton said the basis of allocation for small amounts was *intended* to favour private applicants, and he expected the bank to have a 70:30 institutional-retail shareholder balance on day *one. It would* give the bank 32,000 shareholders. The issue was handled by Morgan Grenfell and Cazenove.

Letters of acceptance will be *posted on* March 10 and dealings will start on March 11.

Bunzl confirms disposal of Norcros stake

By Clay Harris

Bunzl, the paper and plastics group, said yesterday that it had sold its 2.6 per cent hold*ing in Norcros, the packaging* and building products company.

No sooner had Bunzl confirmed the disposal, which *followed the disclosure of the* stake last week by Norcros, than its name was linked with a possible bid for DRG, another paper and packaging group.

Mr Donald Latimer, a Bunzl director, said that his group held investment stakes in a number of companies, *but he would neither confirm* nor deny whether DRG was among their number. Mr Moger Woolley, DRG chief executive, declined to com*to 425p, valuing the company* ment. DRG shares rose 30p at £446m.

Bunzl bought its holding in Norcros in October and *November when it considered* the shares to be undervalued. Bunzl was also seeking a temporary home for some of its £190m rights issue *yast September.*

The investment was reconsidered when Norcros revealed the accumulation of shares in 21 different nominee accounts. "That transformed the situation," Mr Latimer said.

The resulting sharp jump in the Norcros share price created an opportunity to take a profit, especially as the surge might have taken Norcros beyond the price Bunzl was willing to pay, if indeed it was considering a bid.

Bunzl remained "very active on the acquisition front," Mr Latimer said. It had made a "reasonable turn" on its Norcros invest-

Mr Terry Simpson, Norcros chief executive, gave no option on Bunzl's decision to sell ,which cut 6p off his company's share price to 318p. This is still well above the *290p level prevailing before* Norcros disclosed the Bunzl stake. Bunzl gained 4p to 235p.

LAW DEBENTURE Corporation: Final dividend 4.75p (3.55p) making a total of 7.5p (6.3p) for 1986. Gross income £3.03m (£2.87m) and pre-tax profits, £3.2m (£3m). Tax charged was £959,000 (£1.13m) *leaving net earnings per share* of 9.9p (8.14p). Year-end net asset value was 304.9p (234p). The directors expect to declare an interim dividend of 3.25p for 1987 to reduce disparity between payments.

KLEINWORT DEVELOPMENT Fund (investment trust): Interim dividend of 2p for six months to January 31 1987. Net asset value per share was 210.74p (202.57p).

XJ6 launch costs restrain Jaguar profits to £121m

BY JOHN GRIFFITHS

"IT WAS the last major thing we had to do to prove we were a successful car company: produce and launch a new car," *Sir* John Egan, Jaguar's chairman, said yesterday.

He was not in the least abashed that Jaguar's pre-tax profit was down marginally at £120.8m (£121.3m) last year on turnover well up at £830.4m (£746.5m).

In between, he pointed out, were £11m in launch costs for the new XJ6 saloon, substantial increases in capital investment and research *and development* spending, higher depreciation charges and an absence of tax loses.

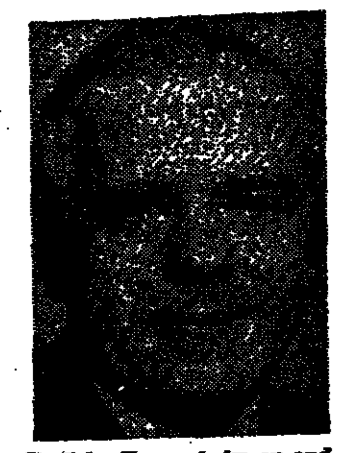
All of those, said Sir John, were *indicators* that 1986 had bene the final year of transition for Jaguar "from a low volume, low productivity" company to one competing on similar terms, and with similar responsibilities, to its world-class rivals.

"It is a good business that can introduce a new model, increase its research and development to international levels and still generate cash—it's a good business, and it's getting *stronger," he said.*

The preliminary results showed after tax profits at £83.4m (£87.6m).

Sir John mad no profit forecase *for* 1987 *but said* there would be sales volume and price increases, better productivity and reduced costs to set against inevitable adverse currency movements. "The basics of the business will continue strong even if shares stay flat. We have had to build the technology base."

Capital investment last year increased from £57.2m in 1985 to £93.9m, as a result of which the depreciation charge rose from £14.9m to £28.9m and could well reach £50m this year.



Sir John Egan, chairman and chief executive of Jaguar

Despite the incremental spending, however, there was a net positive cash flow of £25.6m, leaving a net cash position at the end of the year of just over £150m. With further increased capital spending to "well over £100m" this year, however, there was likely to be a return to "slightly negative" cash flow.

Sir John described the new XJ6 saloon as "the last building block we had to put into place *in terms of our ability to* build world-class products."

The R and D budget would be increased further this year to around £40m, compared with £35.2m last year and £22.9m in 1985.

Jaguar is also expecting to spend £9m on the *new Jaguar's* US launch. It goes on sale in May. The 1987 production target is 47,000, compared with 41,437 last year and 38,500 in 1985.

Sir John said Jaguar was *continuing* to hedge sterling on a 12-month rolling basis, achieving an average last year of $1.28 *against a spot average* of $1.47.

Some 65 per cent of Jaguar's turnover came from the US, to which, he said, Jaguar could continue to look for long-term growth. It sold a record 25,901 *units* there, a 24 per cent increase.

The much higher relative strength of the Deutsche Mark against the dollar had required *Jaguar's main* West German rivals, Mercedes and BMW, "to put up a pricing umbrella which it is relatively easy for us to come under." Nevertheless, *Jaguar* was still drawing in buyers of top-range US cars, and wanted to "keep in touch with them" in terms of pricing policy.

Jaguar's sales in West Germany itself fell back last year to just under 2,000. But there was some holdback for the new car and it expected sales to climb to *2,500 this year.* Sales are also to start in Japan in April where, said Sir John, it was planned to sell 3,000 cars a year by 1990.

As far as product goes, Sir John made clear that the current XJ-S range, to which a convertible version would soon be added, would be a part of the model line-up "*for* many years to come—it's a relative newcomer in its sector when you think how old the Porsche 911 is" *(over 20 years).*

The *final dividend* of 6.2p a share brought the total to 9.5p. He confirmed that there would be a new sports car, but that it would be additional to, not replace, the XJ-S.

Heywood Williams boosts profits by 41% to £7.8m

Heywood Williams, the aluminium *and glazing specialist* has announced a 41 per cent rise from £5.53m to £7.82m in pre-tax profits for 1986 and Mr R. E. Hinchliffe, the chairman, expects 1987 to be another good year.

Turnover for the year rose to £138m against £102m, an increase of over 35 per cent. Mr Hinchliffe *said* that market conditions in the US were forecast to be good during the current year and an all-round improvement was anticipated.

The total dividend is raised from 6.75p to 7.75p with a proposed final payment of 5p per 25p share.

● comment

With £48m-worth of acquisitions under the belt since its last preliminary announcement, Heywood Williams has thrust *itself forward to joint* leadership (alongside South Africa's Solaglass) of the UK glass merchanting trade. Four months *from the glass businesses of* HAT and UBM produced £1.5m pre-tax, suggesting that the core gre wby 14 per cent only. However, as vendors and the market have been receptive to Heywood's paper, gearing has been kept down to around 15 per cent. Since the year end Thermax has been purchased for £21m, paid for with convertible preference shares that cannot appear on the ordinary share register before 1990. This year £16m pre-tax should be achievable, which puts the shares at 277p, down 15p, on a prospective multiple of 10½. If this seems a little niggardly, the market is probably concerned at the drag effect of last year's paper chase and the slow rate of organic growth. A better year in the US, which fell £1.5m this time round due to rationalisation costs, would help convince the doubters.

DIVIDENDS ANNOUNCED

City & Commercial	2.67	—	2.28	5.11	4.5
Corah	2.4	May 7	2.4	4	4
Fife Indmar	2.75	—	2.75	3.5	3.5
Galliford ...int.	1.25	—	1	—	4.8
Heywood Williams	5	—	4.33	7.75	6.75
Hunter	3	—	2.5	3	2.5
Jaguar	6.2	—	5.6	9.5	8.6
Kleinwort Dev Fnd int	2	—	—	—	—
Kleinwort Smaller	6.15	—	5.38	9.2	8.52
Kode ...int.	9	—	3.25	13	5
Law Debenture	4.75	—	3.55	7.5	6.3
Lex Service	6.5	Apr 11	6.5	10.6	10.6
Microfilm Repro...int.	1	June 29	0.67*	—	2*
Radius‡	2	Apr 9	—	3	—
Royal Dutch	8.3¶	—	8.3	12.80	12.80
Shell Trans.	29.5	—	22.5	43	35
SPP	3.5	—	2	5.25	2
Tech. for Business	5.39‡†	Apr 28	8	16	13
TI Group	10	May 29	4.62	5.39	4.62

Dividends shown pence per share net except where otherwise *stated.* * *Equivalent after allowing for scrip issue.* † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Dutch Fl throughout.

KLM seeks 15% of B & C's Air UK offshoot

KLM Royal Dutch Airlines is negotiating with British and Commonwealth about possibly acquiring a 15 per cent stake in its Air UK *subsidiary for* around £2m.

The Dutch flag carrier would expect to benefit from closer co-operation with Air UK because of passengers fed into Amsterdam for KLM's longer, intercontinental routes.

As a regional airline Air UK also would mesh well with NLM City Hopper, KLM's commuter airline subsidiary.

Widening the existing co-operation between the two air*lines would also strengthen* the Dutch Airline's presence in the rapidly growing market between the Netherlands and Britain.

Since the bilateral "free skies" treaty between the two countries air traffic has flourished and the Amsterdam-London route is Europe's second most heavily travelled after Paris-London.

For Air UK the deal could *mean access to KLM's extremely* reliable and far-flung reservation system. The rapidly growing British carrier uses Amsterdam's Schiphol Airport more *often* than *any other* foreign airline.

Since KLM has provided ground services at Schiphol *for* Air UK.

Synapse

Pre-tax profits of Synapse Computer Services for the six months to the end of last January were struck after higher investment income of £25,000 (£6,200) and not finance charges of £25,000 as reported yesterday.

An Active 1986 for our UK Clients

IN 1986, COUNTY NATWEST COMPLETED TRANSACTIONS FOR OVER HALF THE COMPANIES IN THE FTSE 100 INDEX ... LED THE

Harris Queensway PLC £74 million Rights Issue of Ordinary Shares	**ASDA-MFI GROUP PLC** £200 million Multiple Option Facility	**Tesco PLC** £125 million Issue of 4% Unsecured Deep Discount Loan Stock 2006	**The Burton Group plc** £125 million Tender Panel Facility	**Saatchi & Saatchi Company PLC** £406 million Rights Issue of Ordinary Shares

MARKET IN RIGHTS ISSUES, WITH A SHARE OF 28% ... PIONEERED THE ''BOUGHT DEAL'' WITH THE £135 MILLION

C. H. Beazer (Holdings) PLC £120 million US$250 million Multiple Option Facility	**J. Bibby & Sons PLC** £70 million Multiple Option Facility	**TransAtlantic Insurance Holdings PLC** £150 million Acquisition of The Continental and Industrial Trust PLC	**Associated British Foods plc** £148 million Issue of New Ordinary Shares	**John Lewis plc** £50 million 10¼% Bonds 2006

CONTINENTAL AND INDUSTRIAL PORTFOLIO ... MANAGED SIX FLOTATIONS, INCLUDING THAMES T.V. ... LED OR CO-LED

Co-operative Wholesale Society Limited £50 million Multiple Option Facility	**Ward White Group PLC** £94 million Acquisition of Payless DIY	**C. H. Beazer (Holdings) PLC** US$283 million Acquisition of Gifford-Hill & Company Inc	**F. H. Tomkins p.l.c.** £207 million Acquisition of Pegler-Hattersley plc	**Thames Television PLC** £91 million Offer For Sale of Ordinary Shares

FIVE OUT OF THE TWENTY EQUITY-LINKED ISSUES, IN ASSOCIATION WITH OUR SWISS AFFILIATE, HANDELSBANK

Rosehaugh Stanhope Developments PLC £35 million Broadgate Phase 1 Non Recourse Loan	**The Metro Centre Gateshead** £150 million Cameron Hall Developments Limited Regional Shopping Centre	**Thorn EMI plc** £60 million 7⅜% Bonds 1992 with equity warrants	**Commercial Union Finance B.V.** SFr 200 million 4½% Bonds 2000 with equity warrants	**Magnet & Southerns PLC** £10 million (Issue Price) Deep Discount Loan Stock 1997

... AND DOMINATED THE STERLING C.P. MARKET AS DEALER FOR OVER HALF OF ALL PROGRAMMES ...

Sterling Commercial Paper Dealerships

(as of March 1987)

ASDA-MFI GROUP PLC	B.A.T. International Finance p.l.c.	C. H. Beazer (Holdings) PLC	J. Bibby & Sons PLC
Blue Circle Industries PLC	The BOC Group plc	BTR Finance (Guernsey) Limited	H.P. Bulmer Holdings P.L.C.
The Burton Group plc	Chesterfield Properties PLC	The Dee Corporation PLC	Electronic Rentals Group p.l.c.
Ferranti plc	The Hammerson Group	John Lewis plc	Lucas Industries plc
Norcros p.l.c.	P&O Finance B.V.	Peachey Property Corporation plc	Property Security Investment Trust plc
Redland Credit Corporation	Storehouse Finance Overseas Limited	THORN EMI Finance plc	Unigate B.V.
Woolworth Holdings plc			

COUNTY NATWEST

The NatWest Investment Bank Group

Anglo American Gold Investment Company Limited

(Incorporated in the Republic of South Africa)

Registration No. 05/09084/06

PRELIMINARY RESULTS AND NOTICE OF DIVIDEND

Subject to final audit, the abridged consolidated income statement for the year ended February 28 1987 and the abridged consolidated balance sheet at that date, are as follows:—

CONSOLIDATED INCOME STATEMENT
(R million)

	1987	1986
Investment income	383.2	340.1
Interest earned	12.8	16.5
	396.0	356.6
Administration and other expenses	6.1	4.4
Costs of prospecting	16.6	11.2
	22.7	15.6
Net income before taxation	373.3	341.0
Taxation	—	4.5
Net income after taxation	373.3	336.5
Dividends	351.2	318.3
Retained earnings	22.1	18.2
Distributable reserve, February 28 1986	280.8	262.6
Distributable reserve, February 28 1987	302.9	280.8
Earnings per share—cents	1700.3	1 533.0
Dividends per share—cents		
—Interim	700	625.0
—Final	900	825.0

CONSOLIDATED BALANCE SHEET
(R million)

	1987	1986
Shareholders' equity		
Share capital	22.0	22.0
Non-distributable reserve	32.1	32.1
Distributable reserve	302.9	280.8
	357.0	334.9
Represented by:		
Listed investments	289.9	281.4
Unlisted investments	6.2	5.5
Loans and mineral rights	39.2	25.3
	335.3	312.2
Current assets:		
Debtors	93.7	84.8
Cash on fixed deposit and at call	133.8	120.3
	227.5	205.1
Current liabilities:		
Shareholders for dividend No. 78	197.6	181.1
Short-term loans	6.8	—
Creditors	1.4	1.3
	205.8	182.4
Net current assets	21.7	22.7
	357.0	334.9
The market and directors' value of investments are:		
Listed—market value	7 657.5	4 705.8
Unlisted—directors' valuation	212.4	102.0
	7 869.9	4 807.8
Number of shares in issue (000)	21 952	21 952
Net asset value (after providing for dividend)—cents per share	36 128	22 121

Note:
It is intended to post the fiftieth annual report of the company in respect of the year ended February 28 1987 to members on or about March 30 1987.

FINAL DIVIDEND

On March 5 1987 a final dividend (No. 78) of 900 cents per ordinary share (1986: 825 cents) for the year ended February 28 1987 was declared payable on Friday April 24 1987 to shareholders registered in the books of the company at the close of business on Friday March 20 1987 and to persons presenting coupon No. 78 marked "South Africa" detached from share warrants to bearer. This *dividend, together with the interim dividend of 700 cents* per share declared on September 4 1986, makes a total of 1 600 cents per share for the year (1986: 1 450 cents).

The transfer registers and registers of members will be closed from Saturday March 21 to Saturday April 4 1987, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about Thursday April 23 1987.

Registered shareholders paid by the United Kingdom Registrars will receive their dividend in United Kingdom currency converted at the rate applicable on Monday March 23 1987 less appropriate taxes. Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the company's transfer secretaries on or before Friday March 20 1987.

The effective rate of non-resident shareholders' tax is 14.8497 per cent.

The dividend is payable subject to conditions which can be inspected at the Head and London offices of the company and at the offices of the company's transfer secretaries, Consolidated Share Registrars Limited, 1st Floor, Edura, 40 Commissioner Street, Johannesburg 2001 (P.O. Box 61051, Marshalltown 2107) and Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL, England.

Holders of share warrants to bearer are notified that the *dividend is payable on or after Friday April 24 1987* upon presentation of coupon No. 78 (marked "South Africa") only at the offices of Barclays National Bank Limited, Stock Exchange Branch, Diagonal Street, Johannesburg 2001, South Africa — Union Bank of Switzerland, Bahnhofstrasse 45, 8021 Zurich, Switzerland — Credit du Nord, 6 and 8 Boulevard Haussmann, 75009 Paris, France and Banque Bruxelles Lambert, 24 Avenue Marnix, 1050 Brussels, Belgium. *Coupons must be left at least four clear days for examination.*

Proceeds of dividends in respect of coupons marked "South Africa" may, at the request of the depositors, be converted through an authorised dealer in exchange in the Republic of South Africa, into any currency. The effective rate of exchange for conversion into any such currency will be that prevailing at the time the proceeds of the dividends are deposited with the authorised dealer in exchange.

By order of the board
ANGLO AMERICAN CORPORATION
OF SOUTH AFRICA LIMITED
Secretaries
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UK COMPANY NEWS

Christopher Parkes on Woolworth's talks with Underwoods

Formula for a transformation

THERE IS a good measure of short-term entertainment value *in the spectacle of Woolworth's* struggling to hook a minnow the size of Underwoods.

Longer term, a successful landing of the 40-store London chemists chain could offer benefits of greater substance and worth.

Negotiations were suspended earlier this week after news leaked out, and both sides agreed on a cooling-off period before talking again away from the glare of media attention.

Woolworth Holdings, stiffened by a new management backbone, has been moving briskly and successfully to pep up its existing businesses.

● The F. W. Woolworth High Street variety chain is looking much the trimmer and more promising thanks to refurbishment and managing director Malcolm Parkinson's "Focus" merchandising strategy.

● The B&Q do-it-yourself business is growing fast in out-of-town sites and is clear market leader.

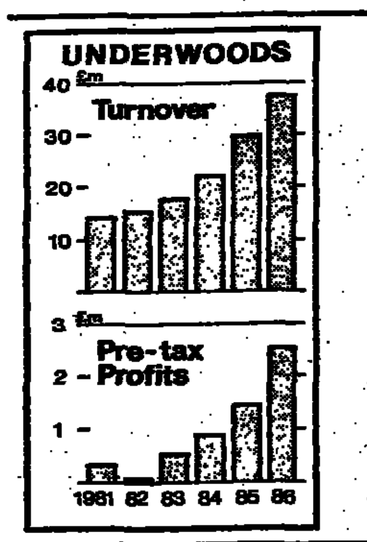
● Comet electrical stores are losing their "warehousey" look and moving closer to the successful Currys formula — not surprising considering the imports of management expertise from Dixons, the Currys parent.

But Woolworth is also looking to broaden and diversify its High Street frontage. The Kids Store concept—aimed at young family High Street shoppers—is expected to be unveiled shortly.

Underwood would fit in perfectly. With a typical British main shopping street emblazoned with Woolworth's, Comet satellites, Kids Stores and Underwoods *fascias*, the old multiple variety chain could effectively transform itself into a multiple specialist retailer.

It could turn the tables on the smaller specialists which eroded its former position and even threatened its existence.

Other main lines, including over-the-counter drugs, audio, electrical and photographic goods, clothing and fashion accessories, stationery, toys and gifts, include a range with which Woolworth's is long *familiar*.




Mr Geoffrey Mulcahy, chief executive of Woolworth

Underwoods has attracted some quizzical looks from the City because of difficulties in shifting its retailing formula outside London.

The rapid expansion of discount specialists like Superdrug and Share Drug Stores has been seen as more rewarding in the medium term than the slower-moving Underwoods chain which relies more on customer service than price-cutting.

Mr Brian Kerner, chief executive, acknowledged in a recent interview that the central London formula had been found not to work so well in the suburbs and beyond.

Customers were uncomfortable with the characteristically dense merchandising and narrow aisles quickly became clogged with push chairs.

He had also over-estimated the ability of Underwoods to take business from Boots without adjusting the formula. However, changes were under way, *he promised.*

Down market from Boots and up market from the discounters, the Underwoods target customer is almost identical to that of Woolworth Holdings' other businesses. Woolworth's also has considerable expertise in most of the products stocked.

Apart from the high-cost prescription dispensing business—important in that customers almost invariably buy other goods on the way to collect their medicine—the sales mix seems an almost perfect match for Woolworth's style.

For example, according to Verdict, a London market research company, 35 per cent of Underwoods sales come from cosmetics, perfumes and toiletries. F.W. Woolworth was a pioneer and remains a leader in the own-label cosmetics business.

Underwoods average sales per square foot are higher than Boots at an estimated £390 last year compared with £315, and £150-£290 for other leading drug store chains. Sales in a handful of Underwoods outlets approach £1,000 per sq ft.

However, much of this apparent superiority can be accounted for by higher spending power in the capital, heavy tourist traffic, long opening hours in key central sites and Sunday trading in several shops.

Should Woolworth's eventually take over—there are few in the City who believe the deal will collapse—and extend the chain colntrywide, these advantages wil obviously be diluted.

However, the basic Underwoods formula appears to be right. The clear, distinctive image could probably be happily transplanted into High Streets around the country, which is where Woolworth's traditional retailing strength lies.

And on the prospective buyers' recent record, the chemist's apparent difficulties with merchandising should offer few obstaclets to speedy expansion.

The emergence of Underwoods, Superdrug, Share Drug Stores and other challengers to Boot's sleepy pre-eminence in the chemists market has obliged the Nottingham company carefully to examine and adjust its strategy on many fronts.

Its recent move into Woolworth's territory with the embryo of a Children's World chain to challenge the planned Kids Stores suggests an interesting tussle ahead.

If Woolworth's bid succeeds and it returns the compliment with a shift into chemists, the prospects are even more intriguing.

Pensions holiday lifts SPP profits to £2.83m

SPP, designer and supplier of fluid handling systems, reported an increase from £2.74m to £2.83m in pre-taxp rofits for the year to December 31 last, *after a nil contribution to the* pension scheme but a first contribution to the profit sharing scheme which resulted in an increase in pre-tax profits of £175,000.

The directors state that the three most significant factors affecting *SPP* in 1986 were the sudden fall in oil prices, the acquisitions of Henry Sykes and American Fire Pumps (now American Godiva) and completion of plans for closure and sale of the Reading site of SPP Pumps and the transfer of manufacturing activity to the Sykes plant at Coleford, Gloucestershire.

SPP Pumps, which increased both turnover and profits in 1986 will vacate the Reading site by the end of this year and *it is to be sold for redevelopment*. The amount to be realised cannot yet be accurately forecast but there are "strong indications that the proceeds will exceed the current book value of £5.3m by a comfortable margin."

Within the group's prinicpal market sectors Godiva had another excellent year raising turnover and increasing profits. Environmental control includes SPP Projects which increased its turnover but operating profits fell because of economic and *ploitical problems* in certain overseas markets.

The industrial sector increased turnover with profits slightly ahead before carrying the costs of the introduction of SPP's new electronic variable speed controller, sales of which have started promisingly.

Group turnover rose from £32.51m to £39.90m during the year, taxation amounted to £1.06m (£1.12m) and minorities were £17,000 (£6,000). Earnings per 10p share were 10.6p (11.7p) and the total divided 5.25p (2p) as forecast in September.

Scottish paper mill sold to merchant

STIRLING FIBRES, a waste paper merchant, has bought James Inglis (Paper) and the Bonnington Bridge Paper Mill at Edinburgh.

Stirling Fibres, of Bonnybridge, Stirlingshire, says it will increase production at the mill and widen its product range of coloured paper.

GrandMet expects second half boost from Heublein

Grand Metropolitan, the drinks, hotels and leisure group, is expecting a "satisfactory outcome for the year as a whole" and its prospects for the *longer term "have never been* better," Sir Stanley Grinstead, the chairman, told yesterday's annual general meeting.

He said that one or two of its smaller companies continued to meet difficult market conditions and the group was still *feeling the impact of pockets* of recession in parts of the US. However, the majority of its businesses were trading on plan.

The loss of earnings for the year from cigarettes—following the sale of the America tobacco subsidiary Liggett—would particularly affect the first half. But in the second half this would be made good by the conrtibution anticipated from Heublein, the US drinks business GrandMet is set to *acquire this week.*

Sir Stanley reiterated that the company intended to meet the $1.2bn (£769m) price of Heublein from bankers' facilities, which would increase its gearing to a notional level of about 110 per cent. But this figure ignored the valne of Heublein brands and GrandMet's existing brands.

The company intended to retire debt, thereby reducing gearing, by the retention of profits, strong cash controls, peripheral disposals and good *housekeeping generally. It had* no plans to make a rights or other equity issue to fund the purchase.

As a result of the disposal of the low-quality US cigarette earnings, GrandMet had imposed on itself the task of making up the profits lost, but its longer-term prospects were considerably improved.

Memcom cuts loss

Memcom International, USM-*quoted designed and manufac*turer of electronic filing systems reported a reduced deficit in the six months to October 31 1986.

Turnover increased to £1.32m against £957,068 last time, and after interest and *other charges* of £81,868 (credit £31,796), the pre-tax loss came out at £741,757 (£1.23m).

Tax took £27,363 compared with a credit of £560, while there was also an extraordinary charge of £35,587 (£191,500) as a provision for closure costs at Memcom International Inc in California.

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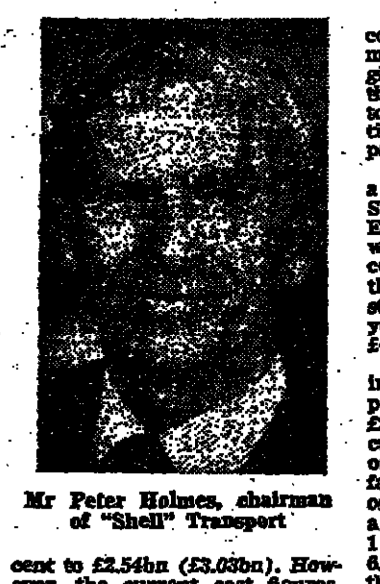
UK COMPANY NEWS

Shell earnings jump to £3.37bn

Royal Dutch Shell increased its earnings on a replacement cost basis by almost 8 per cent to ...3.37bn in 1986, despite a 50 per cent reduction in the price of oil during the year, and unprecedented volatility in the oil market.

Mr Peter Holmes, chairman of Shell Transport and Trading, which owns 40 per cent of the Royal Dutch/Shell group, said yesterday that the results were a "pretty good achievement," and demonstrated the company's "resiliance to adverse market conditions."



Mr Peter Holmes, chairman of "Shell" Transport

The share price jumped by about 30p yesterday to £11.43 as soon as the results were announced, in recognition of an unexpectedly generous 31 per cent increase in the final dividend.

Shell issued a fairly bright statement about its prospects for the current year, and forecast that the oil price would be more stable than it was in 1986.

"If Opec can keep their collective nerve, there is a very good chance they will achieve their objective of a price in the high teens," Mr Holmes said.

Reported net income for the fourth quarter fell by 13 per cent to £752m (£863m), and for the year as a whole fell 16 per cent to £2.54bn (£3.03bn). However, the current cost figures, more closely watched in the City as they present a more up to date view of the company's performance, showed an increase for the full year to £3.37bn (£3.13bn), although a decline for the last three months of 36 per cent from £943m to £600m.

The erosion of profits in the course of the year was caused mainly by a reduction in margins downstream, which started the year abnormally high due to the time-lag between reductions in crude and in product prices.

The figures were depressed by a much lower contribution from Shell Oil, the US subsidiary. Earnings, which in dollar terms were down by nearly 50 per cent, were further depressed by the rise in the pound, and the sterling contribution for the year was cut from £1.09bn to £472m.

During the year group earnings from oil exploration and production were cut in half, to £2.49bn (or £3.27bn) on a current cost basis), as a result of the fall in the oil price. The fall was partly offset by a rise of 10 per cent to 1.8m barrels a day in oil production, and of 1 per cent in gas output to 6.2bn cu ft a day. Shell said this made it the largest producing oil company in the world.

Performance downstream benefited both from higher margins (although these were reduced in the fourth quarter) and from unusually large volume increases, brought about by the fall in prices.

Product sales overall were up by 8 per cent for the fourth quarter, with petrol showing the largest increase of 12 per cent during the year. Outside the US downstream activities generated reported income £255m (£71m), whereas the US income fell by nearly 80 per cent to £26m.

Chemicals reported large increases in profits for the fourth quarter and for the year as a whole, with 1986 earnings of £462m more than twice the £205m made in 1985. The company said this was due to increased volumes and fatter margins.

The 1986 figures for the group include an exceptional gain of £50m, compared with restructuring costs last year of £350m. Currency losses during the year of £270m compared with losses of £408m in 1985.

The final dividend is 29.5p (22.5p) bringing the total for the year to 43p (35p), an increase of 23 per cent.

During 1986 Shell's cash balances continued to rise, reaching £6.4bn at year end, £1,6bn more than in 1985.

See Lex, and French Shell results, Page 36

Lex ahead despite big losses in components

Lex service, the vehicle and electronic components distributor, lifted pre-tax profits from £23.6m to £26.6m despite increased losses of £4.5m (£1.9m less) from its electronic components sector. Other activities showed a loss of £700,000, down from a profit of £4.5m.

The automotive sector produced a 23 per cent increase in profits from £31m to £38.2m, Group turnover moved ahead slightly to £1.11bn (£1.04bn).

Mr Trevor Chinn, chairman, said that automotive businesses had performed outstandingly well, with Volvo achieving new records for volume and market share. However, while the electronic component businesses had started the year showing some improvement their performance had deteriorated during the second half.

He reported that in view of the changing pattern of demand in the market for electronic components and computer products which appeared to have taken place in the past three years, Lex was now managing its business—and particularly that of its Schweber subsidiary in the US—on the basis that the industry would experience a slower but more stable growth pattern, rather than wide fluctuations in growth from year to year.

As a result, the company had undertaken specific cost reductions which would not prove fully beneficial until the second half of the current year.

Profit on ordinary activities amounted to £24.5m (£21.8m) while related companies contributed £2.3m, up £500,000 from last time. Extraordinary items produced a credit of £1.4m compared with a debit of £2.3m.

The UK operations showed an increased profit of £37m (£35.7m) while the US lost £3.2m (£1.8m) and West Germany and France lost a total of £800,000 (£700,000).

Corporate overheads less management charges amounted to £5.8m (£5.9m); profit on the sale of property fell from £800,000 to £100,000 while interest charges took up £2.8m, down from £6.3m.

After tax charges of £12.3m (£9.8m), earnings per share worked through at 17.2p, down from last year's 17.6p. The board proposes an unchanged final dividend of 6.5p, making a 10.6p total payment—the same as last year.

• comment

Analysts are remarkably divided about the prospects of Lex, with pre-tax profits forecasts ranging from £33m to £40m. They are all agreed that the automotive business is doing well, with volumes growing steadily and margins improving because of a shift in mix towards larger cars, but the future of the electronics components busines is much more difficult to call. The optimists point to the fact that the US electronics market could not get any worse; the pessimists feel there are no signs it is getting any better. Taking a middle view and allowing merely for loss elimination would boost the bottom line by £4.5m,—add in a further improvement in interest costs (responsible for all last year's pre-tax increase) and the disappearance of the old transport losses and the outcome is likely to be around £36m. On that basis, the shares at 349p, are on prospective p/e of 14, which seems about right, given the healthy yield.

Yule Catto raises stake in Reabrook

By Clay Harris

Yule Catto has increased its stake in Reabrook Holdings, the aerosols and cleaning chemicals group, ot 20.4 per cent.

Mr Alex Walker, Yule Catto's chief executive, confirmed yesterday that the chemicals, building products and plantations group planned to consolidate Reabrook's earnings into its accounts. Reabrook shares closed unchanged at 151p.

Although he would not exclude the possibility of an offer for Reabrook at some stage, Mr Walker said that Yule Catto's current bid for Barrow Hepburn, another chemicals company, had to be resolved first.

Yule Catto's task in that battle was complicated last month when Barrow recommended a rival offer from BTP, the chemical manufacturing and bulk storage group. With Barrow shares at 76p yesterday, BTP's terms were worth 83.2p and Yule Catto's 74.7p. The rivals are offering cash alternatives of 70.38p and 65p respectively.

Corah profit recovers to £2.3m

Corah, Leicester-based manufacturer and distributor of knitted clothing and fabrics, lifted pre-tax profits from £807,000 to £2.29m in the year to end-December 1986.

Corah, which supplies most of its output to Marks and Spencer, anticipated the recovery in profits at the time of the last interim statement in August when it reported taxable profits of £906,000 against £1.02m for the comparable period.

Group turnover decreased slightly from £96.97m to £93.93m, but the reduced cost of sales resulted in increased trading profits of £15.33m (£13.74m).

Last year's results, however, included an exceptional charge of £729,000 which related to the acquisition of Reliance late in 1984.

After below-the-line charges of £583,000 representing the closure costs of subsidiaries, partly tempered by a pension fund refund of £490,000, earnings per share rose to 4.6p (0.7p).

The final dividend is unchanged at 2.4p making 4p a same-again for the year.

Mr Nicholas Corah, chairman, said that the recovery in profits demonstrated the company's progress towards a satisfactory level of performance.

Although margins improved throughout the year, sales and profit were adversely affected by continued losses at the Iway Fashions subsidiary which was closed last summer, and a change in delivery patterns for Corah's spring merchandise.

Investment in new technology was again made to strengthen design and marketing capabilities. A strong spring order book reflected the favourable reception given to the new co-ordinated ranges of outerwear, while the underwear division was developing a wider range of more fashionable garments in an attempt to combat severe competition which it faced during the year.

Encouraging sales and profits were achieved by the newly combined sock division, while after two years of considerable reorganisation and rationalisation Reliance made a sizeable contribution to group profits.

Mr Corah added that investment had resulted in a strong order book and that all divisions were operating at a high level of activity. Sales of spring merchandise were well ahead of the previous year.

• comment

Corah's new finance director John Hawksfield has his work cut out. Yesterday's figures showed that the company is recovering after a disastrous 1985 but it still has considerable financing difficulties. Not least of these is the slim cover which exists for its full year dividend of 4p—earnings per share were just 4.6p. High gearing, up from 62 per cent in 1985 to 75 per cent, is also a problem. For this year the company has a fair wind behind it. Some stocks were not sold in November and December because of a change in the pattern in orders but that meant the sales were transferred to 1987. The consumer spending boom is meanwhile boosting demand for all Corah's products, which range from underwear to sleeping bags. The company should also be able to use its modern machinery and computer technology to help reduce the high level of stocks. If there are no unforeseen problems, Corah should make about £3.5m, implying a prospective p/e of around 11. The shares at 79.5p are supported by a handsome gross yield of 7 per cent.

Successful float for Wilson Bowden

The offer for shares in Wilson Bowden, the housebuilder, closed yesterday "comfortably" oversubscribed, according to Schroders, the merchant bank sponsoring the issue.

The exact number of applications and the basis for allocation of the 18.35m shares offered at 130p each are expected to be announced today. Acceptance letters will be sent out on Wednesday March 11 and dealings will begin on Thursday March 12.

The shares represent 27.5 per cent of Leicester-based Wilson Bowden's enlarged equity. At 130p per share the company has a market value of £86.7m.

Fife Indmar lower

A MARGINAL setback in profits was reported by Fife Indmar, Scottish-based light and general engineer, for the year to December 1986.

Turnover fell 10 per cent from £14.22m to £12.74m. After an exceptional charge of £96,000 (£71,000) relating to the rationalisation of the products division, and interest charges of £221,000 (£220,000), pre-tax profits dipped to £303,000 against £318,000 for the previous year.

Technology for Business profits up 24% to £9.8m

Technology for Business, USM-quoted London-based microcomputer manufacturer, reported a near-24 per cent increase in taxable profits on turnover up from £8.43m to £9.82m in the 12 months to end-December 1986.

After-sales costs of £5.27m (£4.47m), other operating expenses of £3.34m (£3.33m), and interest charges of £202.578 (£226,335), the pre-tax figure came out at £513,496 against £415,173 in 1985.

Tax accounted for £79,580 (£67,727). There was an extraordinary charge of £192,748 relating to the decision to close down RAIR SARL, the French subsidiary, and to appoint a distributor for that country. In 1985 there was an extraordinary debit of £17,370.

The single dividend is set at 5.39p (4.62p).

Mr Paul Bion, chairman, stated that the Legal Systems division had enjoyed its best year ever and was experiencing record inquiry levels. The company was the leading supplier of systems to the legal profession and hoped to increase its market share, he added.

The acquisition of CPU Computers, announced late last month and still awaiting shareholders' approval, enhances future prospects and would add some 15,000 systems to the company's installed customer base. It would enable TFB to make better use of its total capacity at marginal additional costs.

MARLING INDUSTRIES (industrial textiles and safety products) has acquired J. Bonas, a narrow fabrics manufacturing company based in Derby for £296,700. Consideration to be satisfied by £225,930 cash and issue to vendors of 68,718 Marling shares. Bonas will complement narrow fabric facilities at Rykneld Mills subsidiary.

CITY & COMMERCIAL Investment Trust: Net asset value at January 31 1987 stood at £12.83 (924.7p). Final dividend 2.667p (2.279p) making 5.113p (4.502p) per income share. Net revenue after tax £1.21m (£1.06m).

Microfilm Repro advances to £1.23m

Microfilm Reprographics, the microfilming bureau which obtained a full listing in December, reported a sharp advance in pre-tax profits for the half-year to December 31 last, with £1.23m compared with £568,000 for the corresponding period of the previous year.

The comparative figures have been adjusted to reflect the results of FDS Microforms (Holdings) for the whole of that period and the results of Datacom Holdings from the date of its acquisition in December 1985.

Turnover in the first half rose from £3.45m to £5.43m; the tax charge was £430,000 (£199,000) leaving attributable profits of £798,000 (£369,000) and net earnings per share of 5.7p (3.4). The dividend is maintained at 1p on the capital as increased by a one-for-two scrip issue.

KLEINWORT SMALLER Companies Investment Trust: net asset value up 40 per cent to 43.2p per share. Final dividend 6.15p (5.375p) making 9.2p (8.25p) for year to January 31 1987.

UK COMPANY NEWS

Kode recovers strongly and more growth ahead

Kode International has more than made up the ground lost in 1985 with pre-tax profits rising from a depressed £457,000 to a record £2.13m for 1986. The result reflected a sharp improvement in margins for turnover was down from £29.52m to £27.78m.

Mr R. A. Marler, the chairman, said that the current year had started well with results to date ahead of budget. The positive progress achieved to June 1986 continued through the second half, resulting in a record profit for the year as a whole. Year-end net cash balances stood at £2.1m.

Kode Limited improved margins over the year and started the year with a record order book, Mr Marler added. Kode Services further widened its range of customer support and enhanced its range of Winchester disk maintenance capabilities.

In Comart, while the established range continued to be well received, new product introductions in the second half were attracting encouraging interest. Xitan extended its activities by launching a range of desk top publishing products; Moore Reed's marketplace remained difficult but results were up to expectations and Kam fulfilled the promise of last year and increased sale to a broader customer base.

Tax took £804,000 (£177,000) and there were no extraordinary credits this time against £124,000 for 1985.

Attributable profits were £1.32m (£404,000) giving earnings per share of 23.7p (5p). The proposed final dividend is 9p (3.25p) making a total of 13p (5p).

● comment

These figures from Kode demonstrate that not only has the 1985 trough been left behind but the company has also broken out of the seven year long £1m-to-£1½m straitjacket that existed before this. In the past Kam, the circuit board subsidiary, was caught out by technology advances and sharp falls in the prices at the commodity end of that market. Now it concentrates on specialised, short turnround jobs for users that desire high quality longlife boards and are prepared to pay well for them. Both parts of Kode are seeing the benefits of higher volumes and the enlarged user base. Maintenance is becoming more important as the minor manufacturers desert users but the customers refuse to throw away all the micros they have already bought. Linking up existing stand-alone computers in networks is one answer for users who have not abandoned the information technology race altogether and this promises a new generation of system engineering support work (and possibly an acquisition for Kode?). This year £2.5m looks likely, which puts the shares, up 32p at 375p, on a prospective multiple of 13.

Misys for USM with expansion in mind

BY JANICE WARMAN

Misys, the UK's leading computer systems supplier to insurance brokers, is coming to the USM with a market capitalisation of £8.05m and plans for acquisitions in the electronics sector.

The company, which was founded in 1978, claims 35 per cent market share. Brokers Albert E. Sharp are placing 1.28m shares—15 per cent of the enlarged share capital—at 95p to raise £1.07m after expenses. All the proceeds will go to the company.

Misys' main software products are an administrative system for insurance brokers, a motor insurance quotations service and an administrative system for life pensions brokers. It also designs and assembles its own range of microcomputers.

It gains a substantial part of its income from maintenance, training and sales of upgraded *and replacement systems* to existing computer users.

The company is forecasting pre-tax profits for the year to May 31 of not less than £850,000, which would give a prospective p/e of 12.3.

Profits have grown *steadily* from £23,278 in 1982 to £269,025 in 1986, with a sharp downturn in 1983 to £3,867 when it decided to concentrate on the insurance *sector.*

The company's chairman is Mr Kevin Lomax, who ran a Hanson Trust subsidiary before taking senior management posts with Caparo and STC.

He said the principal reason for the flotation was the company's interest in making acquisitions, initially in the *electronics* sector.

"We're very positive in terms of increasing market share. The market is very buoyant. The Financial Services Act will force people to invest in computers," he said.

The company estimates its existing market at between 10,000 and 15,000 independent brokers. With more than 250 systems sold and market penetration of between 10 and 15 per cent, Mr Lomax said there was plenty of room for growth in the UK.

He expected the company's overseas expansion to include the US and Australia.

Dealings in the Misys' shares *are due to start on* March 12.

Rotork ceases merger talks with Meggitt

By Ralph Atkins

Rotork, valve control equipment and machine toolmaker, said yesterday that talks about a *potential offer had stopped.*

Members of the company's board started meetings with Meggitt Holdings, the aerospace and engineering company, about a possible merger, in January.

At the same time Rotork—which says it has always prized its independence—requested a Stock Exchange inquiry into a *sudden rise in its share price,* up from 139p at the beginning of January to 190p at the beginning of February.

Rotork shares yesterday closed 10p down at 166p.

Forward Trust ahead to £41.4m

Forward Trust Group, the asset finance specialist of Midland Bank Group, announced a record pre-tax profit of £41.4m for the year 1986 compared with £40.5m.

New business written by the group amounted to £1.9bn, an increase of more than 18 per cent on 1985. Group assets increased by 10 per cent to £2.6bn.

Chairman and chief executive Mr Bob Wyatt, said, the group's share of the leasing market increased from 9.2 per cent to *12.4* per cent *in 1986,* even though the market itself contracted.

BOARD MEETINGS

TODAY

Finals:—Alliance Trust, Cranbrook Electrical.

FUTURE DATES

Interims:—

Browns (Charlie) Car Part Centres	Mar 16
International City	Mar 18
Mitchell Cots Int. Eng'g. Transport and Trading	Mar 12
Finals:—	
Collins (William)	Mar 12
Delaney	Mar 19
Gaskell Broadloom	*Mar 31*
Metalrax	Mar 16
Steetley	Mar 23
Weir Group	Apr 2

Radius boosts its year-end profits by 52% to £1.5m

Radius, the USM-quoted computer systems and maintenance *group based in Hull,* boosted pre-tax profit by 52 per cent from £991,000 to £1.5m in the 12 months to November 30 1986. Turnover rose from £6.5m to *£7.6m.*

Mr Edward Sharp, chairman, said that he believed the company would maintain its progress to emerge as one of the major companies in an eventually rationalised industry.

Mr Sharp reported that the increase in turnover had been mainly in software products, *maintenance* and other services which had now become the principal value-added activities of the group. A corresponding *lesser proportion had* been derived from hardware sales. The changing business profile *continued to lead to improved* profitability ratios.

He said the acquisition last November of Advanced Business Technology, which supplies data general equipment, was an *important longer-term* investment and material contribution to group performance was not anticipated in the current year. The company intended to develop its data general-related business by further acquisition.

Jigsaw, the company's manufacturing production control system, had begun to achieve an encouraging ratio of sales against competing established products. Mr Sharp added that the company was continuing to *introduce more advanced facilities* and features into this product and believed that it would win a growing share of this large market.

Texas Instruments was now supplying an extra range of unix-based equipment, the BS1500. As a result of its parallel processing architecture *and high* speed synchronous bus, this range was expected to sell well to clients requiring high performance, large terminal count unix systems.

The hardware maintenance services had been further improved through better workshop facilities and field spares holdings.

After tax of £515,000 (£366,000), earnings per share worked through at *10p — up from 7.3p last time.* The directors propose a final dividend of 2p, making a total of 3p for the company's first full year on the USM.

Second half lift gives Hunter 43% increase

SECOND HALF profits rose from £552,000 to £784,000 at Hunter, *furniture manufacturer, in 1986, to give a pre-tax result* 43 per cent ahead at £1.51m for the year, against £1.05m.

The single final dividend is stepped up by 20 per cent to 3p (2.5p), to be paid from *earnings of 21.9p (15.2p) per 10p* share.

Directors said the new year had started well. They expected the group to progress by the continued development of existing *subsidiaries,* the integration of Mallinson-Denny and May & Hassell, and through further *acquisition.*

From turnover up 51 per cent at £40.71m (£26.91m) gross profit was up from £3.61m to £5.6m. Distribution costs were £1m (£730,000), and administrative expenses £2.23m (£1.39m). Other operating income added £11,000 (£72,000).

The pre-tax result was after higher interest charges of £836,000 (£507,000). Tax took £333,000 (£306,000).

Galliford optimistic as profits advance midway

Galliford, Leicestershire-based construction and engineering group, improved pre-tax profits by 31 per cent in the six months ending December *1986.* With *turnover* 17 per cent ahead from £42.2m to £49.2m the pre-tax result rose *to* £2m against £1.54m.

Directors said the strong improvement showed every sign of continuing for the year as a whole. Taking account of the results to date, forecasts and order books, they confidently anticipated *a healthy improvement* on last year's £2.89m (£3.04m).

The interim dividend is lifted by 25 per cent to 1.25p, to be paid from earnings ahead from 2.91p to 4.47p per 5p share. A total dividend of 4.8p was paid for the year to June 1986.

Chorley's plant hire activities appeared set for a good full year result, the directors said, while Chorley Engineering, the company's offshore oil and gas activity, returned to profit in the period. The prospects for this activity were still very *dependent on movements* in the price of oil, they added.

William Browning (Rugby), a *civil* engineering company, suffered losses on a pipeline contract, but order books for 1987 in this division, were encouraging.

Prospects for the year, and beyond, in building contracting were judged to be good, the directors said. They added that the two recent acquisitions, Moore Scott and CE-AR-TE Tiles, would make a contribution to the full year figures.

Tax for the period amounted to £752,000 (£701,000), and extraordinary items and minorities took a *lower £11,000* (£27,000).

Pearson offshoot's North Sea purchase

Whitehall Petroleum, part of the oil and oil services division of Pearson, the industrial, banking and publishing group which owns the Financial Times, has purchased the working interests *of* PanCanadian Petroleum's North Sea properties for £1.7m cash.

The *deal,* expected *to* be completed within the next three months, will result in PanCanadian retaining an overriding royalty interest in the properties.

Hambro Countrywide £1.1m acquisition

Hambro Countrywide, Britain's largest residential estate agency, has acquired Walton Reeves in a profit linked deal.

The consideration for Walton *is* £1.1m payable *in instalments* with an initial payment of £309,500 and the remainder will *be settled in loan stock* convertible into an appropriate number of Hambro shares, according to profit performance over the next three years.

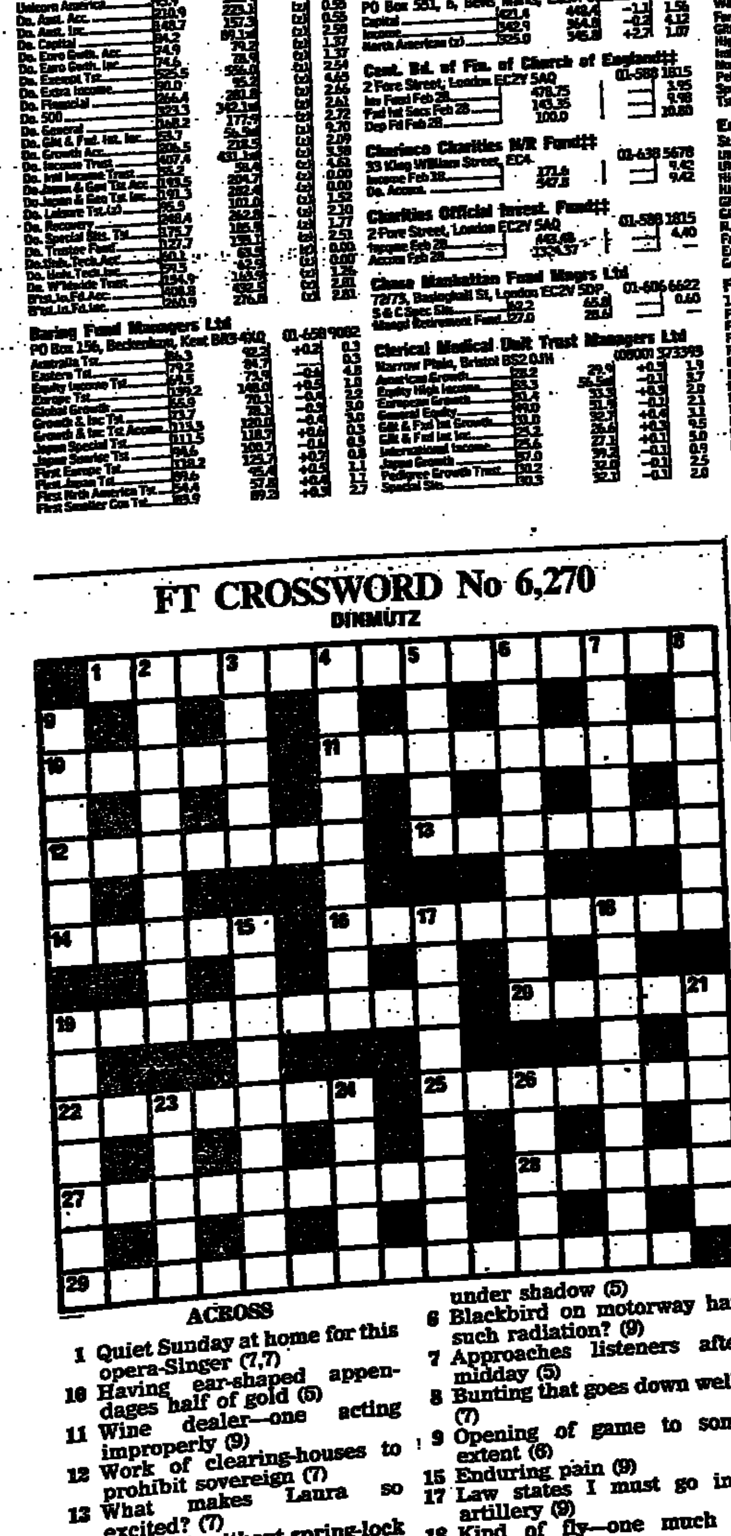
FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

FT CROSSWORD No 6,270

DINMUTZ



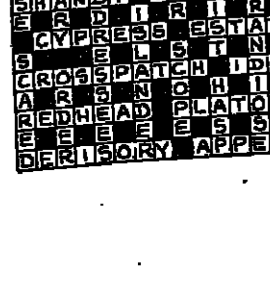
ACROSS

1 Quiet Sunday at home for this opera-Singer (7,7)
10 Having ear-shaped appendages half of gold (5)
11 Wine dealer—one acting improperly (9)
12 Work of clearing-houses to prohibit sovereign (7)
13 What makes Laura so excited? (7)
14 Encroach without spring-lock (5)
16 A job for life or just a part-time one (9)
19 Where panhandlers need a good start on crumbling ground (9)
20 Attitude of E. Thomas Short (5)
22 Tight chests? (7)
25 Threadbare city that is killing visitors finally? (7)
27 Ruin of peridot in new setting (9)
28 Battleground involving several thousand inside it (5)
29 Allowing little time at university for such irregular reception (7-7)

DOWN

2 Largely an abnormal presentation of the Adam's-apple (9)
3 Some of the lilac acting as succulents (5)
4 Treading carelessly, with empty head—run down (9)
5 Principle of putting Mum under shadow (5)
6 Blackbird on motorway hail such radiation? (9)
7 Approaches listeners after midday (5)
8 Bunting that goes down well? (7)
9 Opening of game to some extent (6)
15 Enduring pain (9)
17 Law states I must go into artillery (9)
18 Kind of fly—one much in disorder (9)
19 Pine-resin from Georgia—pilot-scheme (7)
21 She is in charge yet she has a superior (6)
23 Manifestly it can make saloon work (5)
24 Change of gear—this dress is loose (5)
26 Having sat in atelier, presented problem (5)

Solution to Puzzle No 6,269



AUTHORISED UNIT TRUST & INSURANCES

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB — 01-902 8876

2nd Series Life Accumulation				
Equity	385.9	408.4	+2.8	—
High Income	330.3	349.5	+1.9	—
Property	217.6	230.3	...	—
Managed 2	95.7	101.3	...	—
Managed	271.5	287.3	+1.3	—
Managed 4	99.9	104.7	+0.5	—
Deposit	178.1	188.5		—
Gilt	188.4	199.4	+0.8	—
American	275.7	291.7	+2.9	—
International Money	196.5	207.9	−0.5	—
Far East	216.5	229.1	−0.4	—
Global	106.7	112.9	−0.2	—
European	107.6	113.9	−0.1	—
Japan	114.2	120.8	−0.2	—
Heritage Property	98.5	104.2	...	—
2nd Series Pension Accumulation				
Equity	620.6	656.7	+5.0	—
High Income	396.3	419.4	+2.7	—
Property	306.6	324.4	...	—
Managed 2	95.7	101.3	...	—
Managed	395.4	418.4	+2.1	—
Managed 4	99.4	105.2	+0.5	—
Deposit	265.9	281.4	...	—
Gilt	267.1	282.6	+1.4	—
American	438.2	463.7	+5.5	—
International Money	282.3	298.7	−0.8	—
Far East	239.9	253.9	−0.6	—
Global	110.0	116.4	−0.2	—
European	111.1	117.6	−0.2	—
Japan	119.6	126.6	−0.2	—
Heritage Property	99.9	105.7	...	—
Other Funds				
Equity Units		83.30	−0.61	—
Property Units		22.95	...	—
Balanced Bond/Exec	38.28	40.51	+0.19	—

City of Edinburgh Life Assurance
4b Charlotte Sq, Edinburgh EH2 4HQ — 031-225 1655

Ivory & Sime Bond	121.0	128.0	...	—
Risk & Reward Bond	162.0	171.0	...	—
Murray Johnstone Fd	137.0	145.0	...	—
Money Market Fd	111.0	117.0	...	—
Investment Strategy Fd	101.0	107.0	...	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 394000

Managed	442.0	465.3	(z)	—
Property	265.1	279.1	+0.3	—
Fixed Int.	163.9	172.6	(z)	—
UK Equity	555.9	585.2	(z)	—
Int. Equity	350.0	368.5	(z)	—
Deposit	158.7	167.1	+0.1	—
Managed Property	252.8	266.2	+0.3	—
American Eagle	118.5	124.8	+0.9	—
Technology	110.6	116.5	+0.9	—
Worldwide Income	180.0	189.5	−1.4	—
Pacific	190.0	200.0	(z)	—
Australian	95.0	100.0	—	—
Japan	303.1	319.1	(z)	—
Commodity	115.9	122.0	+0.9	—
Gold	153.5	161.6	+2.1	—
Financial	211.2	222.4	−1.0	—
Income	252.3	265.6	+0.9	—
Special Situations	245.3	258.3	+2.8	—
Preference	144.4	152.0	(z)	—
Managed Currency	95.4	100.5	(z)	—
European Spec. Sits.	198.8	209.3	(z)	—
Sterling	110.3	—	—	—
Residential Property	193.3	204.6	—	—
Pension Funds				
Managed Pension	1348.8	1419.8	−4.5	—
Gilt Pens.	348.8	368.3	+2.4	—
Property Pens.	706.8	744.1	+0.4	—
Equity Pens.	678.2	713.9	+1.5	—
Index-L Pen.	129.9	136.8	+0.4	—
Extr. Pen.	262.5	276.4	(z)	—

The Porchester Group
91 Wimpole Street, London W1M 7DA 01-493 9090
Porchester Managed Funds

Albany (z)	121.1	127.4	(z)	—
Cornhill (z)	107.0	113.0	(z)	—
Irish Life (z)	117.6	123.9	—	—
Royal Heritage (z)	106.0	111.6	—	—
Schroder (z)	102.0	107.3	(z)	—
Skandia (z)	123.0	129.4	(z)	—
Target (z)	125.9	132.6	(z)	—
Trident (z)	118.6	124.9	—	—
Porchester Managed Pension Funds				
Albany (z)	133.7	140.7	(z)	—
Schroder (z)	100.0	105.2	—	—
Skandia (z)	130.4	137.2	(z)	—
Target (z)	117.6	123.8	(z)	—

Managed by Porchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Man-Clerical Med.	127.1	133.8	+0.1	—
Pens. Man-Schroder	513.8	540.8	+1.2	—

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Clerical & Medical (z)	106.8	112.5	+0.5	—
Guardian Royal Exch.	109.3	108.8	+0.4	—
M&G Ass (Life)	118.0	124.0	+0.3	—
M & G Ass (Pens.)	137.1	144.0	+0.5	—
Norwich Union Ass Mgr.	55.3	58.3	−0.2	—
Royal Life (UniLinkAss)	108.9	114.6	—	—
Scot Equitable (Life)	153.1	161.2	+1.0	—
Scot Equitable (Pens)	124.3	130.9	+0.6	—

OFFSHORE AND OVERSEAS

Credit Suisse
23 Avenue Monterey, Luxembourg

CS Money Mkt Fd US$	$1196.35 1196.96	+0.84	—
CS Money Mkt Fd DM	DM1136.68 1136.69	+0.34	—
CS Money Mkt Fd£	£1184.78 1184.79	+1.15	—
CS Money Mkt Fd Yen	Y106,025 106,026	+32	—
CS Short-Tm Bd $ A/B	—	—	—
CS Short-Tm Bd DM A/B	—	—	—

DWS Deutsche Ges. F. Wertpapiersp
Grueneburgweg 113, 6000 Frankfurt
Investa DM60.01 63.05 +0.25 —

Daehan Investment Trust Co Ltd
44-5, Yoido-dong, Youngdungpo-ku, Seoul, Korea
Korea Trust NAV Feb 28. Won 29,011 (US$33.94)
Seoul Trust NAV Mar 2. Won 17,564 (US$20.31)

Dantrust Management (Guernsey) Ltd
PO Box 93, St Peter Port, Guernsey 0481 712818
Dantrust Limited DKr86.5 87.1 +0.5

Dean Witter World Wide Investment Trust SA
14 Rue Aldringen, Luxembourg
NAV $20.33 | +0.14 —

...

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $18.88 | +0.58 —
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey. 0481 23765
Japan Meta Growth 11.41 | — —

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$19.97	+0.04	—
Dynamic Gwth Fd	$22.59	−0.07	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund $12.47 13.18 — —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3			01-283 6461	
CAFCASH Call Fund	11.31	8.45	12.45	3-mth
CAFCASH 7-day Fund	11.19	8.37	12.32	11.71
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	11.00 (11.46CAR)		—	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST.			01-236 0952	
Call Fund	11.31	8.45	12.21	6mth
7-day Fnd	11.15	8.34	12.04	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE.			01-236 1425	
Call Fnd	11.05	8.26	11.87	6-Mth
7-day Fund	10.78	8.06	11.58	6-Mth
Dollar	4.81	3.60	5.14	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF			031-225 8484	
Full Service Cur Acc.	10.25	7.50	10.86	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc.	10.25	7.66	11.10	Qtr
Mnt Int Chq £1000-£5000	10.00	7.48	10.90	Mth
Mth. Int. Chq. £5,000+	10.25	7.66	11.18	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-626 2046.	
HICA, HICMA	11.25	8.41	12.31	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH.			01-628 8060	
Money Mkt Cheque Acc.	10.00	7.47	10.90	Mth

...

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COMMODITIES AND AGRICULTURE

High stocks signal pressure on Opec

BY RICHARD JOHNS

THE INTERNATIONAL Energy Agency's latest assessment of oil stocks indicate that the Organisation of Petroleum Exporting Countries' price structure will come under renewed pressure in the second quarter of this year.

Despite an estimated inventory drawdown of 1.3m barrels a day in the first quarter the IEA projects stocks on land in member states of the Organisation for Economic Co-operation and Development on April 1 at a higher level than at the same point of 1985—428m tonnes compared with 413m tonnes, or 98 days of forward consumption compared with 97. Consumption is expected to rise only marginally in the second quarter over thesame period of 1986.

Assuming stock levels remained unchanged demand for Opec crude projected latest monthly oil market report would be 16.4m b/d, more or less the effective ceiling of the group taking into account Iraq's non-compliance with the output sharing pact together the limitations on its export capacity and also the Neutral Zone which Saudi Arabia and Kuwait regard as exempt *from the accord.*

Over 1987 as a whole the IEA foresees consumption increasing by about 1 per cent mainly as the result of greater usage of transportation fuels. Demand for heavy fuel oil is expected "to decline somewhat as natural gas regains its competitiveness."

Yesterday Mr Jan Choufoer, a director of Royal Dutch/Shell, *said that demand for* heavy fuel oil for power stations could increase as a result of reservations about nuclear power arising from the accident at the Chernobyl plant in the Soviet Union, although it would be better to use more natural gas for environmental reasons.

Yesterday prices on the spot market held firm with cargoes for Brent for April delivery reported to have traded in a range of $16.90-$17.25. In morning dealings the New York Mercantile Exchange's light crude oil quotation was up 18 cents.

The market has recovered *this week despite* a continued fall in Opec output. A survey by Reuter's news agency yesterday said that the rate had fallen to only about 14.7m b/d in the first few days of March.

Tim Dickson talks to Europe's fisheries chief

Widening EEC fishing horizons

AT A time of fierce conservationist pressure and chronic overcapacity in the Community fleet, the immediate future for Europe's fishermen seems bleak.

Sharp quota cuts, stricter EEC policing, and hostility from "third countries" in far off but once friendly waters — these are just some of the new problems facing a breed of businessmen *which* has *long* had to cope with more than their fair share of natural hazards.

Mr *Antonio Cardosa e Cunha*, the Portuguese Commissioner *in Brussels* who *looks after* fisheries, does not *shirk from* the realities but he paints an altogether rosier picture of the industry's prospects. For far from accepting the role of custodian of a small and apparently declining economic sector, he sees genuine possibilities for expansion and growth.

Mr Cardosa e Cunha emphasises the important transformation of what he calls "an essentially primitive hunting activity" into a *fully fledged* modern industry. He argues that given the relatively low level of EEC fish consumption *there is increasing scope for* higher added value production. He also attaches great significance to the EEC Commission's efforts to find new fishing grounds well beyond European *shores—in the* Indian ocean or off the West African coast, for example—to provide new opportunities for the Community fleet.

Outside resources

"If we do not open a new door to outside resources we will be in big trouble," he warns.

To some extent Mr Cardosa e Cunha is obviously paid to be an optimist. But the easy suggestion that his 13th floor office at the Commission's Brussels headquarters is an ivory tower is hardly fair. A man who "*prefers* to visit harbours rather than capital cities," the genial 54-year-old Social Democraft talks persuasively of the need for EEC policies to address the interest of ordinary *EEC citizens "and to deal* directly with the problems of professionals."

He adds, "The moment Community institutions become bureaucratic and technocratic they are in danger of being no longer considered a useful tool."

Mr Cardosa e Cunha's record for getting things done in his first year as a Commissioner—helped, as he acknowledges, by the negotiating skills of Mr Michael Jopling, British President of the Fish council for the last half of 1986—was certainly second to none. In the space of just a few months Ministers agreed Commission proposals to conserve stocks through more restrictive minimum mesh sizes; to step up EEC powers to curb overfishing through new penalties on member states; *to improve* and adapt the structure of EEC fleets over the next five years via an Ecu 800m package of aids; and to cut the total allowable catches (TACS) and individual member state quotas for certain fish species.

The trouble is that while Commission officials argue passionately that these measures are in the best long-term *interests of the* industry, convincing fishermen who have to live with the short-term consequences is not always easy.

Mr Cardosa e Cunha points out that the entry of Spain and his native *Portugal into the* Community at the beginning of 1986 enormously complicated the Common Fisheries Policy (CIF). "Before enlargement the sector was in peace," he says. "But after January 1 1986 the fisheries policy was probably more out of equilibrium than any other aspect of Community affairs. With fishing in the Iberian countries such an important activity, the size of the fleet doubled, the social consequences increased considerably, while Spain in particular became the subject of several international fisheries disputes. It was obvious that something had to be done.

Spanish and Portuguese accession effectively marks the beginning of the so-called "third generation" of Community fisheries policy — the first and second respectively being the period from the mid-1970s when countries on the Atlantic coastline extended their exclusive fishing zones to 200 nautical miles and the early years of the regime introduced in January 1983 and known as the CFP.

Mr Cardosa e Cunha's challenge is essentially how to absorb the pressures provided by the two newest member states and maintain the principle of "relative stability" on which the key management system of TACs and quotas is based.

The Portuguese Commissioner is blunt about the situation in European waters. "There are no good reasons for expansion here. Future developments are likely to be connected only with more discipline, enforcement, and encouraging people to accept the responsibility for conserving stocks." The main *internal hope* for continued prosperity, he says, lies in "improving the structures of the industry, supporting the idea of efficient processing, distribution, marketing, storage and *advertising. We must try* to encourage a situation where market problems are considered at least as important as catch figures, that people see how prices can compensate for fewer fish."

Mr Cardosa e Cunha is clearly excited by prospects for the "processing" industry — a forthcoming Commission report is expected to show just how fast exports of fish products from the Community have been growing. "They stand comparison with some major agricultural exports," he says.

But the major thrust of the "third generation" is the emphasis on international negotiations, the signing of co-operation agreements with "third countries" which can give access to new and sometimes far flung fishing grounds for Community boats. Fishermen, of course, have for long looked beyond their own shores to *Canada, Greenland and the* Nordic states but with most of these countries increasingly anxious to husband their resources for their own fleet, the need to go further afield is *more* urgent than *before.* "We used to fish in Canada for centuries but we are now becoming a nuisance there and we have to accept it," says Mr Cardosa e Cunha.

About 30 sets of negotiations have taken place in the last year—roughly half arising from previous contacts with Spain and Portugal—of which around 15 have now been finalised. All are different but typically EEC financial contributions, expertise or oceanographic information might be exchanged for the right to new fisheries.

In answer to some Northern European criticism that such agreements are much more interesting for the Mediterranean countries in the Community, Mr Cardosa e Cunha stresses that the opportunities "are aimed at the older member *states as well as the newer.*" He cautions, however, that in many cases such as Angola, the Seychelles and Senegal local interests are bound to develop and take the place of EEC boats *in the medium term.*

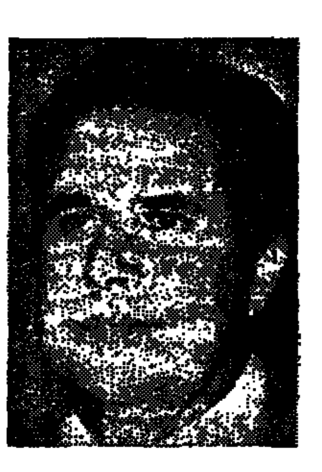
Mr Cardosa e Cunha characterises the Fish Council" as one of the most active, most aggressive with every Minister pushing for the interests of his fishermen. It's very rude, crude, and down to earth because fishermen do not really fish for fish, they fish for money."

Choppier waters

But whilst *his* record *last* year was virtually impeccable and the sector at the moment is enjoying a political lull—the February Council was cancelled for lack of anything to discuss—*choppier negotiating waters* undoubtedly lie ahead. The big issue just over the horizon is a new Commission proposal allocating to individual member states the quantities of fish available to their fleets in zones in the North West Atlantic and off the Norwegian coast near Spitzbergen.

Global amounts were agreed last year but Ministers were unable to accept the Commission's original proposals, with German and Spanish sensitivities very much at stake. Mr Cardosa e Cunha is confident that the new figures—due to be sent to member states shortly—are much more objective and that discussions over them will prove to be no more than a short-term difficulty.

THE EUROPEON Commission announced this week that it had submitted three international fishing agreements for Ministerial approval — with Madagascar, Mozambique and the Seychelles—which offer new opportunities to EEC tuna and shrimp fishermen in the Indian Ocean. Other accords completed in the last year include Sweden, the Faroe Islands, Japan, Guinea Conakri, Gambia and Mozambique. Those with Morocco, Equatorial Guinea, Dominica, Angola, Mauritius and Cape Verde are in progress or soon beginning. Discussions with Somalia, Kenya and Tanzania are at a preliminary or exploratory stage whilst contacts have been made with India, the Maldives, Thailand and countries bordering on the Baltic Sea.



Mr Antonio Cardosa E. Cunha . . . sees genuine possibilities for expansion

Danish farming faces twin threats

BY HILARY BARNES IN COPENHAGEN

DANISH FARMERS are bracing themselves for a two-pronged attack which they fear could leave their industry with heavy casualties. The twin threats are the EEC's efforts to curb farm support spending and Danish politician's moves to impose a crash programme to reduce agricultural *pollution.*

Mr H. O. A. Kjeldsen, president of the Agricultural Council, umbrella organisation for the farmer's organisations, and president of Copa, the European Farmers' Organisation, told the farmers' unions this week that the EEC commission's price proposals would lead to a gradual reduction in sales income of 30-40 per cent, to the loss of thousands of jobs in the processing industries, and to falling export earnings.

Environmental legislation going through the Folketing (parliament), he said, is threatening the existence of the entire industry.

He urged farmers to consider carefully whether they would not be better served by taking advantage of EEC common agricultural policy programmes to sell up or reduce their herds and to find themselves new jobs outside agriculture, rather than accept the financial risks of farming.

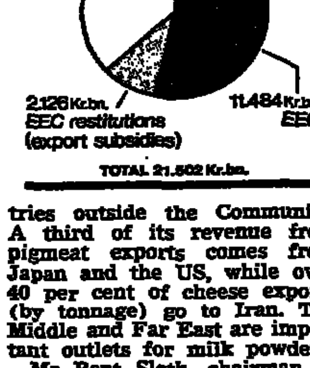
This week's agreement by the Ministers of Agriculture to *curb the price of dairy products* would cut Denmark's exports of dairy products worth Kr 10.6bn (£980m) last year, by Kr 1.88bn, or about 17 per cent, according to Mr Thomas Joergensen, chairman of the Danish Dairy Organisation.

Mrs Britta Schall Holberg, the Minister of Agriculture, did not reserve Denmark's position on that agreement. "The Danish dairy industry exports 70 per cent of its production. It's completely beyond me that the Minister could accept the agreement," said Mr Joergensen.

Pig producers are bitterly opposed to the Commission's proposed new reductions in the price of maize. They expect this to stimulate production in other countries (within the EEC and outside) and so depress the pigmeat price. And since most Danish pig farmers grow their own feed they would miss out on the cost benefits of the price cut.

Last year Danish pig production reached a record of 15.6m, almost 1m more than in 1985, but pigmeat export revenue fell by 7 per cent to Kr 16.8bn. Pigmeat accounts for 40 per cent of agricultural exports and almost 10 per cent of total merchandise exports.

Denmark's farm export earnings are already *suffering* from the worldwide depression in agricultural markets, which has been exacerbated by the US/EEC trade war. The country is particularly vulnerable because of the high proportion of its farm exports which go to countries outside the Community. A third of its revenue from pigmeat exports comes from Japan and the US, while over 40 per cent of cheese exports (by tonnage) go to Iran. The Middle and Far East are important outlets for milk powder.



Mr Bent Sloth, chairman of the Association of Slaughterhouses, told the annual delegate's meeting yesterday that the trading profit per pig produced fell from a peak of Kr 319 in 1984 to Kr 250 last year, *and is now down to* Kr 200.

The Folketing's environmental measures would cost pig farmers Kr 15 per pig produced, he said. He predicted that owners of small herds would give up *and that the norm in* future would be farms producing more than 2,000 pigs a year, a level reached by only 2.5 per cent of the 45,000 pig farms in 1986.

"It's not surprising if farmers are discouraged, and no one should be surprised if export earnings fall in the coming years," he told delegates.

The environmental measures are being implemented in order to reduce pollution of coastal waters by nitrates and phosphates. The measures include a Kr 3.5bn programme to build storage facilities for liquid and *other manure, so that it is only* spread on fields when there is growth to absorb nutrients, and winter sowing of grass to absorb nutrients which would otherwise be washed away during the winter.

But the policy which has most upset the farmers is a demand for a reduction in artificial fertiliser use from about 400,000 tonnes a year to 250,000 tonnes by 1990, with the threat of a 100 per cent tax on fertilisers if this reduction is not achieved.

The tax is being proposed by the Folketing's left-centre majority against the wishes of the four-party minority *Government—but in the Government* itself there are major differences of opinion between Mrs Schall Holberg, Liberal Party, fighting a lost cause on behalf of the farmers, and Mr Christian Christensen, the Environment Minister, whose Christian People's Party is strongly tinged with green.

LONDON MARKETS

THE LONDON Metal Exchange zinc market came under renewed speculative pressure yesterday against a background of firmer sterling against the dollar. The cash price ended £10.50 down at £463 a tonne, an eight-month low, and the three months position finished at £455.75, a tonne, down £9.25. Dealers said the forward position's slide had breached a chart support point at £458 a tonne, which could trigger further *losses.* Sterling's strength also depressed copper values and the cash position's £13.50 fall to £898 a tonne eased most of the gains of the preceding two days. The market moved higher at one time, on nervouseness about the Chilean earthquake news. But values subsided after it was reported that the main mining areas appeared unaffected. A wave of Japanese *buying boosted aluminium* prices early on but then profit-taking reversed the trend and buyers backed away. The cash price closed at £899 a tonne, losing £5 of Wednesday's £29 advance.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	898-900	+5	905/899
3 months	863-4	—7	884/861

Official closing (am): Cash 899-9.5 (911-2), three months 867-7.5 (876-6.5), settlement 899.5 (912). Final Kerb close: 862-3. Turnover: 22,850 tonnes.

COPPER

Grade A	Unofficial close	+ or —	High/Low
Cash	897.5-8.5	—13	912/911
3 months	901-1.5	—6	911/898

Official closing (am): Cash 911-11.5 (916-7), three months 908.5-9 (911-11.5), settlement 911.5 (917). Final Kerb close: 900-1.

Standard			
Cash	862-5	—1.5	873/865
3 months	878-80	—3.5	—

Official closing (am): Cash 873-5 (878-9), three months 888-90 (same), settlement 875 (879). US Producer prices 66.5-70 cents a pound. Total Turnover: 36,275 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	306-7	—3.5	306
3 months	296.5-7	—6.5	302/296

Official closing (am): Cash 305-6 (309.5-10), three months 297-7.5 (303-3.5), settlement 306 (310). Final Kerb close: 296-7. Turnover: 10,600 tonnes. US Spot: 24-27 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2427-32	—10.5	2435/2428
3 months	2420-25	—10	2440/2415

Official closing (am): Cash 2,435-40 (2,419-21), three month 2,426-27 (2,429-30), settlement 2,440 (2,421). Final Kerb close: 2,420-25. Turnover: 1,260 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	462-4	—10.5	—
3 months	455.5-6	—9.25	463/451

Official closing (am): Cash 467-8 (473.5-4), three months 457.5-8 (466.5-7), settlement 468 (474). Final Kerb close: 453.5-4. Turnover: 11,700 tonnes. US Prime Western: 38.5-44 cents per pound.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.51 (16.49) ringgit per kg. Up 0.02.

GOLD

Gold rose $4⅞ an ounce from Wednesday's close in the London bullion market yesterday to finish at $410½-411. The metal opened at $409½-410 and moved firmer in reaction to the recent rise in oil prices and the dollar's narrow trading range. Dealers were generally bullish about prospects for *gold, expecting a further rise over* the short term. The opening level was the day's low and the metal touched a high of $411½-412.

GOLD BULLION (fine ounce)	Mar. 4	
Close	$410½-411	(£260½-261)
Opening	$409½-410	(£261½-262)
M'n'g fix	$411.45	(£262.070)
Aft'n'n fix	$410.75	(£261.092)

GOLD AND PLATINUM COINS

Am Eagle	$423½-426½	(£268¼-271¼)
Mapleleaf	$422-425	(£267¼-269)
Kr'g'r'nd	$412½-415½	(£261¼-263)
½ Krug	[illegible]	[illegible]
¼ Krug	[illegible]	[illegible]
Angel	[illegible]	[illegible]
1/10 Angel	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
Old Sov.	[illegible]	[illegible]
$ 20 Eagle	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]

SILVER

Silver was fixed 0.65p an ounce higher for delivery in the London bullion market yesterday at 350.25p. US cent equivalents of the fixing levels were: Spot 550.75c, up 3.25c; three-month 559.55c, up 3.1c; six-month 568.35c, up 3.2c; and 12-month 585.75c, up 3.1c. The metal opened at 350¼-352¼p (551-553c) and closed at 352-354p (555-557c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	350.25p	+0.65	348.5p	-1
3 months	359.15p	+0.40	357.5p	-1
6 months	367.35p	[illegible]		
12 months	384.60p	[illegible]		

LME—Turnover: 2 (4) lots of 10,000 ounces. Three months high/low 358p, final kerb 360-3p.

SOYABEAN MEAL

	Yest'rdy's close	+ or —	Business done
	£ per tonne		
April	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]

Sales: 60 (122) lots of 20 tonnes.

INDICES

REUTERS

Mar. 5	Mar. 4	M'th ago	Year ago
1548.5	1554.5	1611.4	1864.8

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Mar. 4	Mar. 3	M'th ago	Year ago
Spot	115.42	115.40	—	128.34
Fut	114.15	115.61	—	132.68

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Mar. 4 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1485/515	+25	$1385/825
Copper			
Cash Grade A	£898	—13.5	£879
3 mths	£901.25	—6	£901.25
Gold Troy oz	$410.75	+4.25	$404.75
Lead Cash	£306.5	—3.5	£299.5
3 mths	£296.75	—6.5	£299.75
Nickel			
Free Mkt	172/182c		164/184c
Palladium oz	$120.50	+1.25	$123.50
Platinum oz	$534.25	+5	$521.50
Quicksilver†	$200/210		$185/175
Silver troy oz	350.25p	+0.65	361.15p
3 mths	362.15p	+0.40	370.75p
Tin			
free Mkt	£4300/500	+30	£4458/480
Tungsten	$47.08	+2.57	$44.51
Wolfram 22.0lb	$40/48		$37/46
Zinc	£463	+10.5	£479.5
3 mths	£455.75	—9.25	£475.25
producers	$770/790		$770/790
OILS			
Coconut (Phil)	$345x		$455
Palm Malayan	$305v		$390
Seeds			
Copra (Phil)	$260		$295
Soyabean (U.S.)	$157.5		$144
GRAINS			
Barley Fut. May	£115.00	—0.15	£114.95
Maize	£144.50	—0.5	£143.50
Wheat Fut. May	£118.10		£118.20
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1304.5		£1347.5
Coffee Ft. May	£1277.5	+10	£1598.5
Cotton A Ind.*	53.50c	—0.5	66.35c
Gas Oil Apr.	$141.24	+3.25	$150.5
Rubber (kilo)	60.25p		66p
Sugar (raw)	$203z	—1	$191.5
Wooltops 64s	451p kilo	+3	418p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. y February-March. v April. z March-April. x April-May.

COFFEE

Following a rally on the close in New York on Wednesday evening, London opened £30 higher, encouraging general short-covering, reports Drexel Burnham Lambert. With Brazil returning from a four-day holiday traders anxiously awaited news concerning its future marketing policy. This was reflected in trading, with the range comparatively small in considerably lower volume. The news that emerged from Brazil was basically neutral and the trade awaits further developments.

COFFEE	Yesterday close	+ or —	Business Done
	£		
Mar.	1258-1260	+7.5	1300-1258
May	1275-1280	+10.0	1320-1280
July	1310-1315	+25.0	1340-1305
Sept.	1340-1345	+30.5	1361-1335
Nov.	1365-1370	+26.0	1390-1365
Jan.	1390-1395	+20.0	1418-1390
Mar.	1400-1448	+30.0	1415

Sales: 7,084 (9,544) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for March 4: Comp. daily 1979 99.25 (101.40); 15-day average 112.70 (113.76).

COCOA

	Yesterday's close	+ or —	Business done
	£ per tonne		
March	1270-1272	+3.5	1275-1268
May	1304-1305	—	1316-1288
July	1333-1334	—	1339-1329
Sept.	1356-1358	+0.5	1366-1356
Dec.	1382-1384	+1.5	1388-1381
March	1408-1410	+3.5	1414-1408
May	1428-1431	+5.0	1433-1428

Sales: 3,165 (2,916) lots of 10 tonnes.

ICCO *indicator prices* (SDRs per tonne). Daily price for March 5: 1,579.95 (1558.65); 10-day average for March 6: 1,568.57 (1,566.66).

GRAINS

	WHEAT		BARLEY	
Mnth	Yest'rdy's close	+ or —	Yest'rdy's close	+ or —
Mar	117.40	+0.15	113.35	—0.15
May	118.10	—	115.00	—0.15
July	120.35	+0.15	—	—
Sep.	99.00	+0.10	96.20	+0.05
Nov.	101.10	+0.15	100.20	+0.10
Jan.	103.95	+0.15	102.95	+0.05
Mar.	106.25	+0.10	105.10	+0.25

Business done—Wheat: March 117.40, May 118.15-7.85, July 120.35-20.00, Sept 99.00, Nov 101.10-0.85, Jan 103.95-3.80, March 106.25-6.15. Sales: 197 lots of 100 tonnes. Barley: March 113.50-3.25, May 115.00-4.90, Sept untraded, Nov 100.20-0.10, Jan 102.95-2.90, March untraded. Sales: 44 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 1, 15 per cent: April/May 98.00, June 97.00. US No 2 Soft Red Winter: July 90.25. French 11½-12 per cent: March 142.5. English feed, fob: April 119.00, April/June 120.00-119.75 paid East Coast. April/June 119.50-119.75, Sept 100.50-101.25, Oct/Dec 103.50-104.50 sellers. Maize: US No 3 Yellow/French, transhipment East Coast 1st-half March 144.50. Barley: English feed, fob: March 115.00-115.75 buyer/seller Peterhead, April 119.50 seller English/Scottish, Oct/Dec 103.50 buyer English, Oct/Dec 104.00 seller English/Scottish.

HGCA — Locational ex-farm spot prices. Feed barley: S. East 117.70, S. West 117.00, W. Midlands 114.30, N. West 113.10. The UK monetary coefficient for the week beginning Monday March 9 will remain unchanged.

POTATOES

[illegible]

MEAT

[illegible]

RUBBER

[illegible]

SUGAR

LONDON DAILY PRICE—Raw sugar $202.00 (£128.50), down $1.00 (down £1.00) a tonne for March-April delivery. White sugar $214.50, unchanged.

US MARKETS

TRADE BUYING in crude oil futures rallied the market in early trading, prompting local and commission house buying which kept the market *steady* in the face of profit-taking, reports Drexel Burnham Lambert. Trade selling emerged at the highs which led to long-liquidation, paring gains. Gold futures followed through on Wednesday's gains as the locals and commission houses continued to buy. The lower US dollar added to the rally but as prices approached $414.50, basis April, trade selling and commission house long-liquidation eased the market and it closed lower on the day. Silver futures rallied as local and trade buying touched off stops. However, as gold fell locals sold out their positions to depress prices. Local buying in platinum futures also touched off stops but profit-taking at the highs pared gains. Coffee continued to fall, reflecting bearish sentiment. In cocoa futures short-covering and trade buying in the face of South American price-fix selling steadied values. Sugar futures featured mixed trade *buying* and selling before commission house Liquidation depressed prices despite light scale-down trade buying. Commission house selling in cotton futures kept the market on the defensive in early trading before trade and local buying forced the commission houses to cover. The grains steadied on a combination of the weaker dollar, anticipation concerning talks on the export support programme, reports of possible buying interest, firmer cash prices and, in the soyabean complex, lack of hedge selling pressure from Brazil. Live cattle *futures* fell on profit-taking and mixed selling, reflecting slack physical business, while pork bellies and hogs rallied as cash prices firmed.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
March	60.70	59.90	—	—
May	60.40	60.20	60.50	60.20
July	59.40	59.40	59.40	59.30
Sept	58.40	58.20	58.80	58.25
March	57.80	57.80	—	—
May	57.80	57.80	—	—
July	57.80	57.80	—	—

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
March	407.2	410.4	411.0	410.5
April	408.8	412.2	414.4	408.7
May	410.8	414.2	—	—
June	413.0	416.4	418.8	412.9
August	417.2	420.5	422.5	419.0
Oct	421.3	424.5	426.5	425.2
Dec	425.4	428.5	431.0	425.5
Feb	429.5	432.8	435.0	430.0
June	437.7	440.6	442.5	441.4
Dec	451.2	453.7	457.0	452.7

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
April	48.00	46.44	48.00	46.20
May	47.50	46.31	47.50	45.95
June	47.20	46.19	47.35	46.00
July	47.30	46.49	47.70	46.05
August	48.00	47.05	48.00	46.60
Sept	48.70	47.75	48.70	47.69

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
March	133.00	131.40	133.00	131.50
May	134.00	131.75	134.25	131.75
July	134.40	132.30	134.50	132.05
Sept	132.65	132.05	133.30	131.80

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
March	534.9	531.5	—	—
April	536.4	533.0	540.5	532.5
July	541.0	537.3	544.8	537.5
Oct	546.3	541.5	549.0	542.0
April	554.3	550.5	553.0	553.0

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
March	556.9	548.8	560.5	550.0
May	562.7	554.8	568.0	555.5
July	569.0	561.0	572.5	562.5
Sept	575.2	567.1	577.0	570.0
Dec	584.3	576.2	587.0	577.5
Jan	587.4	579.3	—	—
March	593.3	585.2	592.0	588.0
May	599.6	591.5	—	—
July	606.2	598.1	604.0	603.5
Sept	612.6	604.5	—	—

SUGAR WORLD "11"

	Close	Prev	High	Low
May	8.24	8.33	8.37	8.23
July	8.32	8.38	8.44	8.31
Sept	8.33	8.40	8.45	8.45
Oct	8.38	8.45	8.50	8.38

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	Prev	High	Low
April	62.37	63.77	63.25	62.27
June	59.87	61.20	60.85	59.80
Aug	57.47	58.37	58.10	57.25
Oct	56.92	57.80	57.50	56.80
Dec	57.00	57.65	57.55	56.90
April	58.00	58.15	58.02	58.00

LIVE HOGS 30,000 lbs, cents/lb

	Close	Prev	High	Low
April	44.65	44.45	44.70	43.95
June	46.30	46.15	46.45	45.60
July	46.02	45.70	46.15	45.40
Aug	43.05	42.87	43.15	42.52
Oct	38.80	38.65	38.80	38.55
April	36.30	36.45	36.57	36.25
June	37.75	—	37.75	37.50

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	Prev	High	Low
March	153.4	151.4	154.0	151.4
May	155.6	154.0	156.2	154.4
July	158.6	156.6	159.0	157.4
Sept	161.4	159.2	161.4	160.0
Dec	171.0	167.8	171.0	168.6
March	178.4	176.4	178.4	176.2
May	180.0	177.4	180.2	179.0

PORK BELLIES 38,000 lbs, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL

PRODUCTS—North West Europe
Prompt delivery cif ($ per tonne)

Premium gasoline	170-174	—
Gas Oil	138-140	+2
Heavy fuel Oil	89-90	+2
Naphtha	158-159	+4.5

HEAVY FUEL OIL

Month	Yesterday close	+ or —	Business Done
	US $ per tonne		
Mar	89.25	+0.25	—
Apr	90.00	+3.00	—
May	89.00	+2.50	—

Turnover: Nil (52) lots of 100 tonnes.

FREIGHT FUTURES

[illegible]

GAS OIL FUTURES

[illegible]

Plan for Papua minerals company

Mr John Kaputin, Papua New Guinea's minerals and energy minister said yesterday the government will establish a company to invest in the country's mining and oil industries.

The minister was urging the increase in local ownership of resources.

It was not clear if foreign concerns, which dominate exploration and development of minerals, would be forced to sell stock or share business with the new company.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound continues to improve

STERLING CONTINUED to attract demand yesterday, helped by the relatively high level of UK interest rates and growing confidence in the UK economy. The latter was underpinned by a recent rise in oil prices which the market saw as increasing the chances of greater tax cuts and a reduction in the PSBR in Thursday week's UK budget.

There were no obvious signs of any repetition of Wednesday's modest intervention by the Bank of England when it sold sterling, and its attraction was enhanced by the authorities' continued reluctance to allow interest rates to fall just yet.

The pound's exchange rate index closed at 71.4, its best level for six months and up from an opening of 70.9, unchanged from Wednesday night. Against the dollar it rose to $1.5775 compared with $1.5650. This was its best closing level since June 1983. It was higher in terms of the D-Mark at DM2.89 from DM2.8750 and Y231.75 compared with Y240.50. Elsewhere it rose to SFr 2.4350 from SFr 2.4225 and FFr 9.6150 compared with FFr 9.5650.

The dollar failed to hold on to its early gains, having broken through the DM 1.84 level in early trading. The market seemed interested in assessing the dollar's upward potential since there was little chance of testing central bank's resolve to prevent another sharp run on the US unit. However after touching a high of DM 1.8480, the dollar met considerable resistance and in the absence of any fresh buying, it fell back to finish down from Wednesday's close. Against the D-mark it ended at DM 1.8315 compared with DM 1.8375 and Y153.20 compared with Y153.70. Elsewhere it slipped to FFr 6.0950 from FFr 6.1125 and SFr 1.5440 from SFr 1.5480. On Bank of England figures, the dollar's exchange rate index finished at 104.1 against 103.9.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. February average 1.8234. Exchange rate index 147.6 against 140.2 six months ago.

There was no intervention by the Bundesbank at yesterday's dollar fixing when the US unit was quoted at DM 1.8420 compared with DM 1.8304 on Wednesday. Trading was quite active during the morning with good two way business seen. However the dollar remained within its recent trading range although tending to move firmer as dealers saw little change of an attempt for the time being to test central banks' resolve to defend the dollar as a result of the Paris accord. The dollar closed at DM 1.8415 from DM 1.8335 on Wednesday. News that the Bundesbank had left interest rates unchanged after its regular fortnightly meeting had little effect on the market since no change had been expected. Sterling remained firm, helped by the relatively high level of UK interest rates.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 151.30. February average 153.36. Exchange rate index 208.9 against 215.9 six months ago.

Trading was extremely dull and featureless in Tokyo yesterday. President Reagan's speech contained few surprises and failed to affect market sentiment. The dollar closed at Y153.75 compared with Y153.80 in New York and Y153.45 in Tokyo on Wednesday. With any thoughts of pushing the dollar weaker severely curtained by fears of central bank intervention, there was little incentive to trade. Today's US unemployment data may provide some stimulus if sharply different from market expectations.

NIGERIAN NAIRA—The dollar eased slightly against the naira at yesterday's weekly auction to 3.8050 compared with 3.9050 and week before. The effective rate, which includes a 0.5 per cent central bank levy was 3.8241 from 3.9246. Of the $50m on offer at the auction only $38.39m was told after 17 banks were disqualified from bidding for providing inadequate documentation in previous auctions.

£ IN NEW YORK

Mar 5	Latest	Previous Close
£ Spot	1.5815-1.5825	1.5640-1.5650
1 month	0.60-0.57 pm	0.60-0.58 pm
3 months	1.54-1.50 pm	1.55-1.50 pm
12 months	5.10-5.00 pm	5.05-4.95 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Mar. 5	Previous
8.30 am	70.9	70.7
9.00 am	70.9	70.8
10.00 am	70.9	70.8
11.00 am	71.3	70.8
Noon	71.3	70.7
1.00 pm	71.3	70.8
2.00 pm	71.4	70.8
3.00 pm	71.3	70.9
4.00 pm	71.4	70.9

CURRENCY RATES

Mar. 5	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.80261	0.715910
U.S. Dollar	5.5	1.2621	1.12541
Canadian $	8.2	*	1.50332
Austrian Sch.	4	16.3380	14.5909
Belgian Franc	8½	48.1493	42.9429
Danish Krone	7	8.74829	7.80360
Deutsche Mark	3.0	2.3248	2.07402
Neth. Guilder	4½	2.62500	2.34108
French Franc	9½	N/A	6.98102
Italian Lira	12	1653.74	1473.73
Japanese Yen	2½	194.06	173.392
Norway Krone	8	8.80638	7.85537
Spanish Peseta	—	N/A	145.572
Swedish Krona	7½	N/A	7.27035
Swiss Franc	3.5	N/A	1.74776
Greek Drach.	20½	170.434	151.852
Irish Punt	—	N/A	0.776145

*C$/SDR rate for Mar. 4: 1.68516

CURRENCY MOVEMENTS

March 5	Bank of England Index	Morgan Guaranty Changes %
Sterling	71.4	−22.6
U.S. Dollar	104.1	−3.4
Canadian Dollar	78.3	−10.5
Austrian Schilling	138.2	+10.4
Belgian Franc	100.4	−4.1
Danish Krone	93.5	+4.2
Deutsche Mark	147.5	+22.0
Swiss Franc	170.8	+21.0
Guilder	134.9	+14.4
French Franc	72.0	−12.5
Lira	48.3	−15.4
Yen	208.9	+56.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Mar. 5	£	$
Argentina	2.4145-2.4255	1.5350-1.5400
Australia	2.3120-2.3150	1.4725-1.4735
Brazil	27.8690-28.0270	17.7170-17.8060
Finland	7.1165-7.1290	4.5280-4.5300
Greece	208.90-213.00	133.80-136.10
Hong Kong	12.2605-12.2705	7.8005-7.8025
Iran	114.00*	72.40*
Korea (Sth)	1331.65-1343.65	851.50-858.50
Kuwait	0.43530-0.43600	0.27720-0.27740
Luxembourg	60.05-60.15	38.05-38.15
Malaysia	3.9630-3.9730	2.5240-2.5260
N. Zealand	2.8050-2.8280	1.7890-1.7935
Saudi Ar.	5.8890-5.8950	3.7500-3.7510
Singapore	3.3600-3.3700	2.1405-2.1425
S. Af. (Cm)	3.2560-3.2715	2.0745-2.0790
S. Af. (Fn)	5.7210-5.9365	3.6365-3.7735
Taiwan	54.65-54.95	34.95-35.05
U.A.E.	5.7675-5.7730	3.6725-3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.9429	+1.14	+1.14	±1.5344
Danish Krone	7.85212	7.80360	−0.62	−0.62	±1.6404
German D-Mark	2.05853	2.07402	+0.75	+0.75	±1.0981
French Franc	6.90403	6.90102	−0.04	−0.04	±1.3674
Dutch Guilder	2.31943	2.34108	+0.93	+0.93	±1.5012
Irish Punt	0.768411	0.776145	+1.01	+1.01	±1.6684
Italian Lira	1483.58	1473.73	−0.66	−0.66	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Mar. 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5605-1.5800	1.5770-1.5780	0.59-0.56 c pm	4.37	1.52-1.47 pm	3.79
Canada	2.0844-2.1080	2.1070-2.1080	0.62-0.52 c pm	3.25	1.47-1.32 pm	2.65
Neth'lands	3.25½-3.27½	3.25¾-3.26¾	1½-1¼ c pm	5.06	3⅞-3⅝ pm	4.60
Belgium	59.38-60.30	60.05-60.15	18-13 c pm	−3.09	40-34 pm	2.46
Denmark	10.81-10.97¾	10.88¾-10.89¾	pm-1½ ore dis	−0.83	2¾-4¾ dis	−1.31
Ireland	1.0785-1.0870	1.0835-1.0845	0.22-0.36 p dis	3.21	0.82-1.15 dis	−3.63
W. Germany	2.86¼-2.90	2.88½-2.89½	1¾-1½ pf pm	6.75	4¼-4⅛ pm	5.88
Portugal	220.95-223.93	223.00-223.90	73-156 c dis	−6.15	338-501 dis	−7.51
Spain	201.67-203.75	203.50-203.75	37-61 c dis	−2.89	135-173 dis	−3.03
Italy	2039-2070½	2053½-2054½	5pm-1lire dis	−1.17	6pm-4 dis	−0.19
Norway	10.87¾-10.99½	10.98½-10.99½	3-4½ ore dis	−3.89	12¾-13¾ dis	−4.64
France	9.53½-9.65¾	9.61-9.62	2¾-1⅞ c pm	2.65	5-4¼ pm	1.92
Sweden	10.08¾-10.18	10.15-10.16	½-1½ ore dis	−1.11	1¼-2⅞ ore dis	−0.91
Japan	239¾-242½	241¼-242¼	1⅜-1⅛ y pm	6.20	3⅝-3¼ pm	5.69
Austria	20.20-20.40	20.37-20.40	11¾-10gro pm	6.29	27¾-25¾ pm	5.22
Switzerland	2.41¾-2.44½	2.43-2.44	1½-1¼ c pm	6.78	3⅞-3⅝ pm	6.16

Belgian rate is for convertible francs. Financial franc 60.60-60.70. Six-month forward dollar 2.80-2.75 c pm 12-month 5.04-4.94 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Mar. 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5605-1.5800	1.5770-1.5780	0.59-0.56c pm	4.37	1.52-1.47pm	3.79
Ireland†	1.4455-1.4600	1.4590-1.4600	1.00-0.94c pm	8.24	2.92-2.80 pm	7.88
Canada	1.3330-1.3370	1.3340-1.3350	0.11-0.14c dis	−1.12	0.36-0.41 dis	−1.15
Netherlands	2.0650-2.0840	2.0670-2.0680	0.16-0.15c pm	0.84	0.49-0.44 pm	2.69
Belgium	37.99-38.20	38.05-38.15	3-4½c dis	−1.18	10¾-12¾ dis	−1.23
Denmark	6.90-6.94¾	6.90-6.90½	2.65-3.35ore dis	−5.19	8.40-9.10 dis	−5.05
W. Germany	1.8280-1.8460	1.8310-1.8320	0.38-0.35pf pm	2.39	1.07-1.02 pm	2.28
Portugal	141¼-142¾	141¼-141¾	100-150c dis	−10.58	300-400 dis	−9.87
Spain	128.95-129.53	129.10-129.20	80-90c dis	−8.35	235-255 dis	−7.58
Italy	1301¾-1312	1301¾-1302¾	2-5c dis	−3.21	9-14 dis	−3.52
Norway	6.96-6.98¾	6.96½-6.97	4.60-5.10ore dis	−8.34	14.50-15.00dis	−8.45
France	6.10-6.14¾	6.09¾-6.09¾	0.80-0.90c dis	−1.67	2.65-2.85 dis	−1.80
Sweden	6.43½-6.46½	6.43½-6.44	2.80-3.10 ore dis	−5.48	7.30-7.70 dis	−4.64
Japan	152.85-154.30	153.15-153.25	0.26-0.22y pm	1.87	0.82-0.77 pm	2.07
Austria	12.90½-12.97¾	12.93-12.93½	2.40-1.90gro pm	1.99	5.50-4.50 pm	1.54
Switzerland	1.5410-1.5560	1.5435-1.5445	0.35-0.30c pm	2.51	0.98-0.93 pm	2.46

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.40-38.50.

EURO-CURRENCY INTEREST RATES

Mar. 5	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	11⅝-13⅞	11½-11¾	10¾-10⅞	10¼-10⅜	10⅛-10⅜	9⅞-10⅛
U.S. Dollar	5⅞-6	6-6⅛	6⅜-6⅛	6¼-6⅜	6¼-6⅜	6⅜-6½
Can. Dollar	6⅞-7⅛	7-7¼	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜	7½-7¾
D. Guilder	5½-5¾	5⅜-5⅝	5⅜-5⅜	5⅜-5½	5⅜-5⅜	5⅜-5⅜
Sw. Franc	1-1½	1½-1¾	3⅞-4	3⅞-3⅞	3⅞-3⅞	3⅞-3⅞
Deutschmark	3⅞-4	3⅞-4	3⅞-4⅛	3⅞-4⅛	4-4⅛	4⅛-4⅜
Fr. Franc	7⅝-7⅞	7¾-7⅞	7⅞-8⅛	8⅛-8⅜	8⅛-8¼	8⅜-8⅝
Italian Lire	9-10	9¼-10¼	9⅝-10⅛	9⅝-10⅛	9⅞-10⅛	9⅞-10⅜
B. Fr. (Fin.)	7⅝-7⅞	7⅜-7⅞	7⅜-7⅞	7⅜-7⅞	7⅜-7⅞	7⅜-7⅞
B. Fr. (Con.)	7⅝-7⅞	7⅝-7⅞	7½-8	7⅝-7⅞	7⅝-7⅞	7⅝-7⅞
Yen	4⅛-4⅜	4⅛-4⅜	4⅝-4⅜	4⅜-4⅝	4⅜-4⅝	4⅛-4⅜
D. Krone	11¼-11⅝	11¼-11¾	11⅝-12⅛	11⅝-11⅞	11⅛-11⅝	11¼-11⅝
Asian $ (Sing.)	2-2¼	N/A	3⅜-3⅜	3⅜-3⅜	3⅜-3⅜	3⅝-3¾

Long-term Eurodollars: Two years 6½-6¾ per cent; three years 6⅞-7⅛ per cent; four years 7¼-7½ per cent; five years 7½-7¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Mar. 5	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.578	2.890	241.8	9.615	2.435	3.263	2054.	2.108	60.10
$	0.634	1.	1.832	153.2	6.095	1.544	2.068	1302.	1.336	38.10
DM	0.346	0.546	1.	83.65	3.327	0.843	1.129	710.7	0.729	20.80
YEN	4.137	6.525	11.95	1000.	39.77	10.07	13.50	8496.	8.718	248.6
F Fr.	1.040	1.641	3.006	251.4	10	2.533	3.393	2136.	2.192	62.51
S Fr.	0.411	0.648	1.187	99.28	3.949	1.	1.340	843.5	0.866	24.68
H Fl.	0.307	0.484	0.886	74.10	2.947	0.746	1.	629.6	0.646	18.42
Lira	0.487	0.768	1.407	117.7	4.681	1.185	1.588	1000.	1.026	29.26
C $	0.474	0.749	1.371	114.7	4.562	1.155	1.548	974.6	1.	28.52
B Fr.	1.664	2.625	4.809	402.2	16.00	4.052	5.428	3418.	3.507	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts shrug off selling

LONG-TERM gilt futures shrugged off any attempt to push prices down on the London International Financial Futures Exchange yesterday.

A dealer at one of the main traders on Liffe said this is not a market you can sell, unless someone has already talked it too high and you have the stock to take profits.

This happened at the opening, when the quick sell out of a £1bn tap stock on Wednesday, hopes of an imminent cut in UK bank base rates, and another rise in the value of sterling, led to June long gilts beginning trading at 122-02, compared with 121-00 at the previous settlement. There was heavy selling at this level, which turned out to be the day's peak.

Further selling developed on news that the Bank of England had offered an unattractive repurchase agreement to the money market and was continuing to resist a cut in base rates.

The contract fell to a low of 121-11, but soon began to recover as sentiment maintained a strong bullish undertone. It closed at 121-22, in line with a yield of about 9.5 per cent, compared with levels in the cash market of around 9.3 per cent.

Dealers commented that with over a week to go before the Budget, and every indication that UK interest rates will be held at the present level, in spite of strong downward pressure in the market, gilt futures prices will continue to rise. It was suggested that a record high of over 130-00 is not out of the question, although this would be equivalent to a yield of 8.8 per cent.

US Treasury bond futures were also firm, but in quiet trading, lacking news to move the market. Today's US unemployment figures for February are expected to rise 0.1 per cent to 6.8 per cent, with non-farm employment increasing by 170,000. These figures are unlikely to cause much activity however, unless they are well outside forecast levels, and renew fears about the stability of the dollar.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	9.50	9.60	0.06	0.28
114	7.54	8.16	0.10	0.48
116	6.06	6.44	0.26	1.12
118	4.32	5.18	0.52	1.50
120	3.11	3.59	1.31	2.27
122	2.02	2.58	2.22	3.26
124	1.16	2.05	3.36	4.37
126	0.48	1.28	5.04	5.60

Estimated volume total, Calls 2,442 Puts 1,601
Previous day's open int: Calls 13,025 Puts 6,776

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
92	9.25	8.37	0.01	0.17
94	7.28	6.54	0.04	0.34
96	5.36	5.17	0.12	0.61
98	3.55	3.58	0.31	1.38
100	2.32	2.49	0.63	2.29
102	1.18	1.56	1.58	3.36
104	0.39	1.13	3.15	4.57
106	0.16	0.48	4.56	6.28

Estimated volume total, Calls 20 Puts 15
Previous day's open int: Calls 235 Puts 221

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last April	Calls—Last May	Puts—Last April	Puts—Last May
19000	11.19	15.14	0.44	0.84
19250	9.04	13.04	0.79	1.24
19500	7.09	11.08	1.34	1.78
19750	5.37	9.28	2.12	2.48
20000	3.92	7.65	3.17	3.35
20250	2.75	6.20	4.50	4.40
20500	1.84	4.94	6.09	5.64
20750	1.18	3.87	7.93	7.07

Estimated volume total, Calls 21, Puts 0
Previous day's open int, Calls 623 Puts 567

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Puts—Last Mar.	Apr.	May	June
1.30	27.60	—	—	27.60	0.00	—	—	0.00
1.35	22.60	—	—	22.60	0.00	—	—	0.02
1.40	17.60	17.60	17.60	17.60	0.00	0.00	0.01	0.11
1.45	12.60	12.60	12.60	12.60	0.00	0.01	0.07	0.45
1.50	7.60	7.60	7.60	7.60	0.00	0.21	0.48	1.35
1.55	2.62	3.20	3.33	4.21	0.22	1.24	1.86	3.16
1.60	0.20	0.93	1.18	2.07	2.80	3.97	4.71	6.02

Estimated volume total, Calls 7, Puts 50
Previous day's open int, Calls 776, Puts 1999

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Puts—Last Mar.	Apr.	May	June
1.35	15.70	—	—	13.90	0.25	—	—	0.80
1.40	16.60	16.60	16.60	16.60	0.30	0.30	0.30	0.50
1.45	11.60	11.60	11.60	11.60	0.30	0.30	0.50	0.75
1.50	6.83	6.60	6.70	6.80	0.30	0.65	1.20	1.70
1.55	2.60	2.65	3.20	3.80	0.90	2.00	3.05	3.80
1.60	0.35	0.80	1.30	1.65	4.20	4.50	6.20	7.00
1.65	1.50	—	—	1.90	20.20	—	—	21.40

Previous day's open int: Calls 886 Puts 367
Volume: 8

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Puts—Last Mar.	Apr.	May	June
1.400	16.90	17.10	—	17.10	—	—	—	—
1.450	11.90	12.10	12.10	12.10	—	0.05	0.15	10.40
1.475	9.40	9.60	—	9.60	—	0.10	0.35	10.70
1.500	7.10	7.20	7.40	7.70	—	0.15	0.65	11.20
1.525	4.10	5.00	5.00	5.30	—	0.60	1.40	2.05
1.550	2.25	2.90	3.30	3.85	0.20	1.20	2.35	2.85
1.575	0.60	1.60	2.30	2.65	0.80	2.20	4.60	4.20

Previous day's open int: Calls 66,048, Puts 55,370
Previous day's volume, Calls 11,030 Puts 6,592

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Mar.	June	Sept.	Dec.	Puts—Last Mar.	June	Sept.	Dec.
93.00	0.68	0.77	0.79	—	0.00	0.01	0.06	—
93.25	0.43	0.55	0.58	—	0.00	0.04	0.10	—
93.50	0.19	0.35	0.41	—	0.01	0.09	0.18	—
93.75	0.04	0.19	0.26	—	0.11	0.18	0.28	—
94.00	0.00	0.09	0.15	—	0.32	0.33	0.42	—
94.25	0.00	0.03	0.08	—	0.57	0.52	0.60	—
94.50	0.00	0.01	0.03	—	0.82	0.75	0.80	—

Previous day's open int: Calls 2,106, Puts 2,394
Estimated volume, Calls 50, Puts 0

LONDON

CHICAGO

$ WORLD VALUE OF THE DOLLAR
BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, March 4, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

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ECU=$US1.13164 SDR1=$US1.26357
As of March 4, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	6 7/16	6 7/16
Sibor:	6 7/16	6 7/16

MONEY MARKETS

Further resistance

INTEREST RATES finished little changed on the London money market, after the Bank of England underlined its resistance to an immediate cut in UK bank base rates.

Three-month interbank opened lower, at 10¼-10⅛ per cent, in response to the continued strength of sterling on the foreign exchanges. But the refusal of the authorities to cut intervention rates, and the reluctance of the market to sell bills at present rates, kept conditions tight throughout, with three-month money closing unchanged at 10⅛-10¼ per cent.

Dealers commented that a large amount of the eligible bills held by the market are not with the discount houses, and this could be making the central bank's actions in managing day-to-day shortages more difficult. It was also suggested that a substantial part of the funds lent to the houses at the penal rate of 11¾ per cent for eight days would leak out into the general banking system.

UK clearing bank base lending rate 11 per cent since October 15

Overnight interbank touched 13 per cent, before closing at 11 per cent, indicating that bank balances are unlikely to be severely run down overnight, in spite of the fact that on the published figures the market was left £217m short on the day.

The Bank of England initially forecast a money market shortage of £1,150m, but revised this to £1,100m in the afternoon, and provided total assistance of £883m.

The authorities offered an early round of help, and at that time bought £17m bills for resale to the market on April 2 at 10 15/32 per cent.

Before lunch a further £20m bills were purchased for resale to the market on April 2 at 10 15/32 per cent.

In the afternoon the Bank of England bought £206m bills outright, by way of £95m bank bills in band 1 at 10⅞ per cent, and £111m bank bills in band 2 at 10 13/16 per cent.

The help was completed when the authorities lent £640m to the discount houses for eight days at 11¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £732m, with Exchequer transactions absorbing £245m; a rise in the note circulation £30m; and bank balances below target £135m.

In Frankfurt the West German Bundesbank left its discount rate at 3 per cent and its Lombard rate a 5 per cent at yesterday's council meeting. Credit conditions remained comfortable on the domestic money market, with call money easing to 3.80 per cent from 3.875 per cent, in spite of DM 1.1bn draining after the Bundesbank accepted bids of DM 14.9bn at Wednesday's securities repurchase agreement tender.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar. 5) 3 months U.S. dollars		6 months U.S. dollars	
bid 6¼	offer 6⅜	bid 6¼	offer 6⅜

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101¾	97½	Exch. 10½pc 1987	99½xd	.....	10.50	10.59
100	93½	Funding 6½pc 85-87	99	.....	6.54	9.97
101¼	96	Treas. 10pc 1987	99	.....	10.01	10.18
98	90¾	Treas 3pc 1987	98¼	+	3.04	6.69
104½	99¾	Treas. 12pc 1987	101	.....	11.85	9.86
99¼	92	Treas 7¾pc 1985-88‡‡	98	+	7.85	9.19
104	96¼	Exch 10½pc '88	100⅞	+	10.41	9.66
102¾	95¼	Treas 9¾pc Cv '88	100	+	9.74	9.66
95	86¾	Transport 3pc '78-88	95¼	+	3.15	6.76
102½	93	Treas 9½pc '88	99¾	+	9.53	9.68
107	98	Treas 11½pc 1989	103¼	+	11.13	9.56
103½	93¼	Treas 9½pc Cnv 1989	99	+	9.52	9.60
92¼	82	Treas 3pc 1989	92¼	+	3.26	6.93
105	95	Treas 10½pc 1989	102	+	10.29	9.47
104	94¼	Exch.10pc 1989	101	+	9.90	9.51
107	97	Exch 11pc 1989	103¼xd	+	10.64	9.48
95	84½	Treas 5pc 1986-89	93¼	+	5.36	7.83
110	94¾	Exch 10¼pcCv '89	104¾	+	9.77	8.14
114	103	Treas 13pc 1990‡‡	108	+	11.94	9.37
108¾	97¼	Exch 11pc 1990‡‡	103	+	10.59	9.43
113¾	101	Exch. 12½pc 1990	107xd	+	11.58	9.44
89¾	79¾	Treas. 3pc 1990	88	+	3.39	7.11
100	89¾	Treas 8¼pc 1987-90‡‡	98¼	+	8.39	8.82
105	93	Treas. 10pcCv 1990	101	+	9.86	9.53
85	76½	Exch 2½pc 1990	86	+	2.91	6.82
112	99	Treas 11¾pc 1991	107¾	+	10.95	9.42
94¼	83	Funding 5¾pc '87-91‡‡	91xd	+	6.28	8.24
86¼	79	Treas. 3pc 1991	85	+	3.51	7.10
105	95	Treas 10pc Cv '91	105	+	9.50	8.54
110¾	96	Exch. 11pc 1991	105¼	+	10.41	9.44
118¾	103¾	Treas 12¾pc 1992‡‡	113	+	11.29	9.37
107¾	92	Treas 10pc 1992	102	+	9.73	9.28
		Five to Fifteen Years				
109¾	94	Treas 10½pc Cv 1992‡‡	104	+	10.03	9.32
117¼	102	Exch. 12¼pc '92	111	+	10.95	9.41

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

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DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

هكذا من الأصل

INDUSTRIALS—Continued

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
339	210	Morgan Crucible	322	–4	†8.5	1.5	3.7	21.4
24	15½	♦Morris (W) F.A. 20p	22		—	—	—	—
194	65	Myson Grp 10p	193		†2.63	2.6	1.9	24.9
365	213	♦NMW Computers	295	–5	†6.0	3.0	2.9	17.0
225	27	Nash Inds	190	+2	1.5	2.6	1.1	48.2
*27½	12½	♦Neil & Spencer 10p	18½		—	—	—	—
47	28	Newman Inds 10p	42	–1	†0.8	1.5	2.7	(32.1)
134	65	Noble & Lund 10p	92		0.7	4.3	1.1	30.3
164	151	Nobo Group 10p	164		R4.75	2.8	4.1	12.5
65	39	Nolton	49	–1	1.2	2.9	3.4	14.0
166	96	♦Norank Systems 5p	158		m1.5	—	1.3	20.3
351	187	Norcros	318	–6	†9.3	2.3	4.1	14.6
300	49	Nu-Swift 5p	295	+2	†3.5	2.1	1.7	39.7
£356½	£228	OCE 9pc Cnv 1987-92	£257½		Q9%	—	3.5	—
143	80	Oakwood Grp	148		4.0	0.6	4.0	53.8
250	173	Office & Elect	201	–3	8.5	2.9	6.0	8.2
47	26	♦Omnitech 1p	47	+2	—	—	—	—
36	18	♦Optometrics $0.01	21		—	—	—	—
890	500	Oriflame £1	865	+5	t28.5	2.1	4.6	16.8
18	5	Owenstone 12½c	6	–1½	♦Q3.23c	1.9	16.7	3.2
150	85	♦PCT Grp 10p	150		d3.2	—	4.4	—
£22½	£13¾	PLM 'B' Sk 25	£20⅞	–⅛	Q24%	♦	3.0	♦
255	160	♦Pacer Systems $0.01	184	+5	♦Q3.94c	4.3	1.4	17.0
242	97	Pacific Dunlop $0.5	223		♦Q11.3c	2.1	2.2	22.4
78	44	♦Pacific Sales 10p	68		3.0	1.4	6.2	16.2
542	246	Parker Knoll 'A'	540	+2	12.0	3.2	3.1	14.2
260	83	♦Parkfield Group 2p	253	–5	†3.6	4.2	2.0	16.1
53	17	♦Pavion Intl	29		—	—	—	7.7
£130	£64½	Do 11pc CvLn '94-02	£95½		Q11%	—	Q12.2	—
617	393	Pearson	559	–5	†10.0	2.8	2.5	18.0
74½	12	Peek Holdings 3p	73		—	—	—	—
176	88	Peerless	175		†6.3	2.0	5.1	(11.5)
625	141½	Pentland 10p	608	–12	†t0.75	22.4	0.2	34.5
[illegible]								

LEISURE—Continued

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
93½	32	♦Leisure Inv 10p	[illegible]					
*112	55	♦Leisuretime Int 10p	[illegible]					
123	91	♦Lewmar	[illegible]					
127	73	♦Marina Dev 50p	[illegible]					
196	143	Mecca Leisure 10p	[illegible]					
220	86	♦Media Tech Int 20p	[illegible]					
*215	130	Megameter 10p	[illegible]					
232	114	Midsummer Leis 50p	[illegible]					
220	130	♦Miss World 10p	[illegible]					
90	62	Nationwide Leisure	[illegible]					
17	8	♦Nimslo Int 20c	[illegible]					
94	23	Omnicorp Inc $0.250	[illegible]					
294	114	Owen Ex Hds $0.125	[illegible]					
57½	23	♦Owners Abroad 3p	[illegible]					
175	46	Photax (Lon.)	[illegible]					
75	25½	♦P'dilly Radio NV	[illegible]					
95	25½	♦Pineapple 10p	[illegible]					
391	280	Pleasurama 5p	[illegible]					
178	136	Do. 7pcCvCmRed	[illegible]					
157	94	Prestwich	[illegible]					
93	18	♦Radio City 'A' NV	[illegible]					
88	33	♦Radio Clyde NV	[illegible]					
481	322	Really Useful Grp	[illegible]					
70½	36½	Riley Leisure 10p	[illegible]					
230	129	Saga Hols. 20p	[illegible]					
355	148	Samuelson Grp 20p	[illegible]					
125	69	♦Sangers Photo 10p	[illegible]					
178	93	Scarro 20p	[illegible]					
446	175	Scott. TV 10p	[illegible]					
27	7	♦SelecTV 10p	[illegible]					
37	19	♦Spectrum 5p	[illegible]					
310	119	Stanley Leisure	[illegible]					
68	31	TSW 5p	[illegible]					
[illegible]								

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 23	Mar 5	Mar 6	Mar 16
Mar 9	Mar 19	Mar 20	Mar 30
Mar 23	Apr 2	Apr 3	Apr 13

* New time dealings may take place from 9.00 am two business days earlier.

Gilts continue to advance but equity sector fails to sustain early momentum

The UK securities markets remained very buoyant yesterday on the back of good profit figures from Royal Dutch Shell, and the general optimism surrounding prospects for early reductions in domestic tax and interest rates. However, the further gain in sterling damped down support for the major exporting stocks, and the equity market lost its early gains, closing flat on rumours of an impending rights issue.

The first half hour saw the market shooting ahead by 10 points on the FT-SE scale, with oil and pharmaceutical shares leading the way. Buying soon became highly selective, however, and not even a firm start on Wall Street could keep London at its best.

At the close, the FT-SE 100 index was only 0.1 up at 2002.8—another new statistical peak. The FT ordinary index, weighted towards domestic export stocks, fell 10.4 to 1602.0.

With oils already in demand on crude price trends, Shell's figures found a ready response, and were well bought from both domestic and overseas sources. However, the gain in the Royal Dutch price was less dramatic, somewhat to the surprise of London traders.

Wellcome Foundation soared on British Government approval for production of Retrovir, the group's anti-Aids drug, reversing the share weakness of recent sessions.

The initial buying, which put more than 70p on Wellcome shares, came from domestic sources. Traders noted some selling from across the Atlantic when Wall Street opened, and the shares slipped off the top.

The attitude of the Japanese investment houses, which have been heavy players in UK drug stocks, remained uncertain. Some may have "warehoused" Wellcome stock ahead of today's opening in Tokyo, but Nomura Securities, which has been bearish of Wellcome, did not, according to Dr Banerji, Nomura's drug industry research specialist. Other pharmaceuticals, notably Glaxo, had a busy session.

Elsewhere, selective demand featured Hanson Trust, heavily traded on reports that Merrill Lynch has marked the stock a "buy" ahead of a major presentation by Hanson in New York.

Rumours that Trustee Savings Bank would like to bid continued to boost Sedgwick Group, but the rest of the insurance sector lacked interest. Among the industrials, Imperial Chemical Industries eased on currency considerations, and Jaguar's results found a cool reception.

Government bonds continued to forge ahead, although attention moved to the medium dates because of the weight of new supply at the long end following Wednesday's rapid sale of the £1bn tap stock.

The medium closed with gains of ¾ of a point, but early rises of ½ in the longs were trimmed to a net ¼. The sector remained very optimistic, with the firm pound strengthening the chances of early cuts in bank base rates.

Comment on Commercial Union and General Accident's preliminary results and rumours of earlier-than-expected premium rate reductions in the US depressed Composite Insurances. CU dropped to 318p initially on renewed end-Account profit-taking before closing 10½ lower at 319p, while GA dropped 53 to 959p. GRE declined 38 to 887p and Sun Alliance cheapened 27 to 757p. Elsewhere, Lloyds broker Sedgwick jumped 13 to 330p to the accompaniment of revived talk of a possible bid from Bats. C. E. Heath rose 12 to 449p.

Terms of the forthcoming flotation of Mercury Asset Management—17.6m shares (25 per cent) are being offered at 225p per share—were deemed too generous and prompted a decline of 12 to 373p in Mercury International. Elsewhere, dealers reported a very quiet session in the clearers with investors seemingly disinterested in the sector now that the dividend season is over. Midland hardened 1½ to 634p after comment on the results. Union Discount reflected cheaper money expectations with a jump of 15 to 773p, while Combined Lease Finance added 3 to 172p for the same reason.

Speculation of possible board changes which could give major shareholder Whitbread Investments more say in running the company's affairs, leading to expansion by acquisitions stimulated further demand for Morland. After Wednesday's advance, the shares jumped 56 to 512p in thin market conditions. Executive changes and appointments were also good for Matthew Brown, up 10 at 577p.

Further selective support was forthcoming for leading Construction issues. Buyers showed interest in Taylor Woodrow, finally 13 higher at 383p, and AMEC, which closed 5 up at 328p. Higgs and Hill rose 17 to 650p in a restricted market and Turriff advanced 21 to 249p. Federated Housing moved up 11 to 207p ahead of next week's results, while Galliford added 4 to 128p following the interim figures. Persimmon, reporting shortly, firmed 8 to 348p. Elsewhere, BPB Industries edged up 5 to 671p, but RMC, after early progress to 834p, eased back to close unchanged on balance at 824p. Profit-taking in the wake of the good preliminary results left Heywood Williams 15 lower at 277p.

ICI were held in check by currency influence and closed ⅛ cheaper at £13⅝. Among other Chemicals, Alida revived with a gain of 15 at 375p, while James Halstead firmed 6 to 194p.

Press comment highlighting bid possibilities induced revived speculative support for W. H. Smith which advanced 7 to 334p, in a generally firm Stores sector still anticipating a tax-cutting Budget. Hopeful of an eventual bid from Woolworths, Underwoods gained 5 more to 236p; Woollies added 6 to 778p. Martin Ford jumped 9 to 76p, again with the help of call option activity. Among the leaders, Burton gained 12 at 304p and Marks and Spencer firmed 1 to 226p.

Secondary issues provided the major focal points in Electricals. Kode International were outstanding for a leap of 32 to 375p in response to the better-than-expected record annual profits, while Radius also responded to good trading news with a gain of 19 at 140p. A Credit Suisse Buckmaster and Moore recommendation in the wake of the interim results helped Macro 4 advance 16 to 291p, while improvements of around 15 were seen in Norbain, 83p, and MicroFocus, 150p. Security Tag Systems gained 25 at 163p and Comcap rose 13 to 428p. New time buying ahead of the forthcoming results lifted Cifer 4½ to 46p and speculative support prompted a gain of 8 to 239p in Farnell. Among the leaders, bullish reports emanating from a Chase Manhattan seminar held to discuss the group's Inmos subsidiary helped Thorn EMI move against the trend and close 7 higher at 644p. Racal, however, succumbed to profit-taking and fell 10 to 235p, while STC gave up 4 to 259p for the same reason.

Engineers recorded several outstanding movements. Satisfactory preliminary figures and confirmation that the company intends to sell its domestic appliance businesses prompted a rise of 20 to 673p in TI Group. Rotork, in contrast, dipped 10 to 166p on the announcement that discussions regarding a potential offer have been terminated. Renewed support lifted Birmingham Mint 12 to 270p, while a revival of speculative activity left S. W. Wood 10 dearer at 86p. Elsewhere, interest centred on companyies expected to announce trading statements in the near future. Hall Engineering rose 18 to 288p, Ransomes Sims 12 to 228p and Woodhouse and Rixson 5 to 89. On the other hand, Laird Group, bought recently on takeover hopes, met with end/Account profit-taking and gave up 8 to 312p.

Reports of a sizeable portfolio sell trade reverberated around the Food sector and leading issues relinquished early gains to close lower on balance. Losses of around 6 were seen in Unigate, 385p, and Hillsdown Holdings, 283p; the latter's annual results are due shortly. Cadbury Schweppes shed 2½ to 253p, while Tate and Lyle, after early progress to 771p, eased back to close 5 pence cheaper at 762p. Among Retailers, Dee Corporation came under selling pressure and shed 9 to 234p.

Ladbroke were a late casualty and dipped 11 to 431p on rumours of an imminent rights issue.

—Wellcome took a distinct turn for the better following news that the company's anti/Aids drug Retrovir has been given a product licence in Britain which triggered off a revival of Japanese and domestic buying and left the shares 69 to the good at 492p. Other pharmaceutical issues displayed a mixed trend. Glaxo settled unaltered at £15¼, but Beecham trended easier at 544-543p. Elsewhere, Pilkington ran into end/Account profit-taking and gave up 19 to 766p, but Trafalgar House, reflecting occasional buying interest, put on 8 to 337p. Publicity given to a brokers circular prompted renewed firmness in Avon Rubber, up 9 more at 595p, but Norcros fell 6 to 318p on news that Bunzl has sold its 2.6 per stake in the company. Speculative demand left J. Bibby 10 to the good at 302p. Investment buying prompted a gain of 13 to 144p in CH Industrials, while other outstanding movements included Diploma, 19 dearer at 275p, and Shiloh, 25 higher at 288p. Press mention left Consultants 4 better at 220p. Expamet, still reflecting an investment recommendation, edged up 5 more to 240p. Hunter firmed 10 to 580p after the preliminary figures and acquisition news prompted a rise of 10 to 118p in Marling Industries. British Vita, scheduled to reveal preliminary figures next Monday, hardened 5 more to 400p.

Television issues made another bright showing. Anglia firmed 9 more to 406p and LWT hardened 5 to 699p, after 703p. TVS were 3 up at 373p and Yorkshire 6 higher at 281p.

The likelihood that group annual profits would remain flat during the current year—last year's figures were exactly in line with market forecasts—took some of the recent shine off Jaguar. Currency considerations were a deterrent to overseas investors and the price closed 15 lower at 596p. Wall Street influences lifted General Motors units 13 to 254p; the US group intends to buy back 20 per cent of its Common stock. Motor Components and Distributors moved irregularly with Lucas Industries slipping 7 to 614p and Appleyard rising 8 to 238p ahead of Thursday's preliminary statement. End-Account profit-taking lowered T. Cowie 15 to 403p, Glanfield Lawrence 5 to 125p and Lookers 7 to 330p. Lex Service remained 349p after announcing full-year results more or less as expected.

Takeover speculation resurfaced in DRG on talk that Bunzle was buying shares following the sale of its 2.6 per cent shareholding in Norcros. DRG, which ended 30 up at 425p, is due to announce full-year figures on March 18. Bunzle stated that it had a cabinet full of files, including one on DRG, and after initial easiness closed 4 firmer at 235p. Elsewhere, Moorgate jumped 20 to 158p on news that Abbey Life Assurance had acquired a 7.52 per cent stake. More O'Ferrall put on 12 at 175p, and KLP gained 10 to 345p but Wace slipped 4 to 118p.

The Property leaders showed little alteration, but secondary issues displayed several noteworthy movements. Marler Estates, unsettled of late by the controversy surrounding the company's proposed plans for Fulham Football Club, rallied 45 to 935p. Bredero, annual results due on March 23, attracted further buying interest at 193p, up 10p, while UK Land rose 52 to 400p in a restricted market. Citigrove picked up 6 at 171p, while Stockley added a couple of pence to 94p following a £10m property disposal. Regentcrest added 4 to 47p helped by aquisition news, but recent favourite Local London came back 28 to 630p.

Preliminary profits in excess of market expectations aroused persistent demand for Corah which spurted 7½ to 79½p. The confident statement accompanying the group's figures was another boost and also triggered buying of other Textiles. Pantherella rose 10 to 151p, John Haggas gained 6 to 165p and R. Smallshaw put on 3 at 94p. Leading groups were often a touch easier.

Trading statements drew attention to specific Investment Trusts among which Kleinwort Development Fund rose 11 to 178p. City and Commercial income added 1½ at 46½p while Law Debenture hardened to 302p. Elsewhere, Precious Metals advanced 7 to 194p and Edinburgh Financial 1 to 52p, the latter following news of share stake changes. Argyle Trust revived suddenly and closed 9 up at 124p.

Annual profits at the top of market estimates lifted Shell ¾ to £11¾ and also imparted firmness to British Petroleum, finally 11 higher at 811p, after 816p. Recently firm Ultramar softened a few pence to 183p. Burmah, firm of late on stake-building rumours, came back 1 to 484p, but IC Gas, in the wake of the SHV 700p per share tender offer, gained 18 more to 716p.

Suggestions that acquisition-orientated Tozer Kemsley could be contemplating a fresh foray outweighed the effects of good preliminary figures and clipped 6 from the shares at 153p. Harrisons and Crosfield, down 5 at 473p, were another casualty among Overseas Traders where Inchcape rose 10 to 603p.

Gold shares were firm but saw only modest investment interest. Scattered gains among the producer issues tended to slip off the top after the New York market opened. St Helena, Welkom and Harmony saw some demand. The FT Gold Mines Index ended 7.2 up at 346.7.

The feature of the session was the commencement of dealings in Northern Platinum. While there was not much stock around in London, dealers reported a "fair interest." However, the price closed off the top as traders awaited the rights issue planned for a few weeks from now.

Traded Options

Demand for Traded Options increased with 62,184 deals done, comprising 48,221 calls and 13,963 puts. Hanson Trust returned to prominence as reports of a broker's recommendation led to 11,616 calls being transacted. Following the results, 4,366 calls and 2,246 puts were arranged in Jaguar, while Commercial Union were also fairly active, recording 3,180 calls and 456 puts.

Traditional Options

- First dealings March 2
- Last dealings March 13
- Last declaration June 11
- For Settlement June 22

For rate indications see end of Unit Trust Service

Stocks to attract money for the call included Thurgar Bardex, Pentland Industries, National Home Loans, B. Elliott, Bula Resources, Process Systems, Atlantic Resources, Rivlin, Times Veneer, Property Trust, Connells Estate Agents, Comtech, Central and Sheerwood, Land Securities, Martin Ford, Benlox, Blacks Leisure, Premier Consolidated, Spong, GRA, Wellcome, Talbex, Pavion, First National Finance, Rotaprint, Amstrad, Brent Walker, Polly Peck, Argyll Group, Rowntree Mackintosh, Dee Corporation, Epicure, Bejam, London International, Cable and Wireless, Commercial Union and Smiths Industries. Puts were arranged in IBL and Wellcome, while a double option was transacted in Norfolk Capital.

FINANCIAL TIMES STOCK INDICES

	Mar. 4	Mar. 3	Mar. 2	Feb. 27	Feb. 26	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	89.29	88.72	88.21	88.39	87.96	86.38	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.60	93.83	93.74	93.81	93.52	90.90	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,602.0	1,612.4	1,613.5	1,604.5	1,599.8	1,299.4	1,613.5 (3/3/87)	1,094.3 (14/1/86)	1,613.5 (3/3/87)	49.4 (26/6/40)
Gold Mines	346.7	339.5	325.2	324.7	329.8	339.8	346.7 (5/3/87)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.63	3.61	3.60	3.62	3.62	4.10				
Earnings Yld.%(full)	8.46	8.42	8.42	8.47	8.47	9.93				
P/E Ratio (net) (*)	14.49	14.56	14.55	14.48	14.47	12.46				
SEAQ Bargains (5 pm)	52,949	52,461	46,347	52,617	46,040	—				
Equity Turnover (£m)	—	1,471.30	1,383.86	1,390.06	1,498.82	935.43				
Equity Bargains	—	49,090	61,102	64,869	58,230	36,099				
Shares Traded (ml)	—	548.5	612.4	574.1	585.0	410.6				

S.E. ACTIVITY

Indices	Mar. 4	Mar. 3
Gilt Edged Bargains	165.8	106.8
Equity Bargains	318.1	395.9
Equity Value	2973.9	2797.1
5-Day Average		
Gilt Edged Bargains	171.4	178.0
Equity Bargains	386.6	404.9
Equity Value	3086.5	3120.8

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1616.1	1605.7	1606.8	1603.3	1603.0	1607.4	1609.8	1605.9

Day's High 1616.1. Day's Low 1602.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil=13.95.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (224)

BRITISH FUNDS (5), LOANS (2), AMERICANS (2), CANADIANS (4), BANKS (3), BREWERS (3), BUILDINGS (21), CHEMICALS (6), STORES (9), ELECTRICALS (13), ENGINEERING (8), FOODS (4), INDUSTRIALS (29), INSURANCE (2), LEISURE (5), MOTORS (4), PAPER (5), PROPERTY (13), SHIPPING (1), SHOES (1), SOUTH AFRICANS (2), TEXTILES (7), TRUSTS (47), OILS (5), OVERSEAS TRADERS (2), PLANTATIONS (1), MINES (20).

NEW LOWS (2)

BANKS (1) MCorp, INDUSTRIALS (1) Beaverco.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	3,500	152	−3	Ladbroke	3,500	413	−11
Allied Lyons	5,700	386	+2	Land Securities	2,000	357	−2
Amstrad	2,600	188	+1	Legal & Gen.	1,800	292	−6
Assoc. Brit. Foods	833	348	—	Lloyds Bank	1,100	497	−2
BAT	2,800	536	+1	Lonrho	2,900	285	+3
BET	512	523	−2	MEPC	2,400	342	−1
BOC	970	460	−5	Marks & Spncr	3,700	226	+1
BPB Inds	554	671	+5	Midland Bank	1,700	634	+1½
BPCC	1,100	321	−2	NatWest Bank	1,800	624	—
BTR	1,800	338	−1	Pearson	763	553	−5
Barclays	809	522	−2	P & O	312	641	—
Bass	873	928	−5	Pilkington Bros	1,400	766	−19
Beecham	2,200	543	−8	Plessey	1,400	243	−4½
Blue Circle	1,600	698	—	Prudential	1,400	909	−29
Boots	6,900	326	−1	Racal	9,350	235	−10
Brit. Airways	17,000	112	—	Rank Org.	406	676	−8
Brit. Aero	1,600	673	−12	RHM	341	313	—
Brit. Gas	19,000	80½	−1	Reckitt & Col	564	£10⅞	−⅛
Britoil	6,900	191	+0½	Redland	144	473	−1
BP	10,000	811	+1	Reed Intl.	610	411	+3
Brit. Telecom	7,000	252	−1	Reuters	441	679	+5
Bunzl	1,950	235	+4	RMC	214	824	—
Burton	5,900	304	+12	RTZ	1,300	737	+3
Cable & Wire	6,200	349	−5	Rowntree Mac	1,800	490	−3
Cadbury Schwps	1,600	253	−2½	Ryl Bnk of Scotland	581	314	−2
Coats Viyella	146	573	−3	Royal Insurance	1,300	987	−38
Comm. Union	11,000	319	−10½	STC	6,300	259	−4
Cons. Gold	2,500	843	+12	Saatchi & Saatchi	663	895	−4
Cookson	419	568	−2	Sainsbury	809	484	−2
Courtaulds	1,500	408	−3	Scott & Newcastle	1,700	243½	−0½
Dee Corpn	4,500	234	−9	Sears	3,700	143	−0½
Dixons Grp	2,400	386	−4	Sedgwick	4,100	330	+13
English China Clays	830	417	+6	Shell Trans	15,000	£11¾	+0⅜
Fisons	1,100	633	−6	Smith & Nephew	4,300	156	−1
Gen. Accident	1,200	959	−53½	Standard Chart	38	762	−2
Gen. Elect	2,200	226	−2	Storehouse	2,000	308	−1
Glaxo	2,100	£15¼	—	Sun Alliance	774	757	−27
Globe Investment	572	150½	−0½	TSB	2,200	78	−1
Granada	2,700	352	+2	Tarmac	1,700	540	+4
Grand Met	2,700	507	+10	Tesco	1,600	478	—
Gas "A"	147	£33¼	+0¼	Thorn EMI	4,800	644	+7
Guardian R.E.	680	887	−38	Trafalgar House	2,200	336	+7
GKN	2,200	347	−4	T'house Forte	4,900	213	−3
Guinness	4,000	319	−4	Unigate	800	385	−5
Hammerson Prop	129	475	+10	Unilever	977	£26⅞	−0⅛
Hanson Trust	35,000	173½	+5½	United Biscuits	1,100	273	−2
Hawker Sidd	957	529	−2	Wellcome	14,000	492	+69
Hillsdown Hlgs	2,600	283	−8	Whitbread 'A'	1,200	328	+1
ICI	1,900	£13⅝	−0⅛	Willis Faber	144	442	—
Imp. Cont. Gas	4,700	716	+13	Woolworth	370	778	+6
Jaguar	7,700	596	−15				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	101	1	11
Corporations, Dominion and Foreign Bonds	40	1	28
Industrials	463	477	595
Financial and Properties	180	133	272
Oils	35	28	49
Plantations	3	5	6
Mines	93	27	61
Others	102	46	42
Totals	1,017	718	1,064

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday March 5 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed March 4 Index No.	Tues March 3 Index No.	Mon March 2 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (208)	862.52	−0.4	7.40	3.11	17.11	1.40	866.37	865.57	861.25	685.48
2	Building Materials (27)	1042.34	−0.2	7.50	3.13	16.74	0.72	1044.46	1037.58	1037.67	728.65
3	Contracting, Construction (28)	1475.62	+0.5	6.70	3.19	20.49	1.72	1468.91	1455.48	1453.63	1050.69
4	Electricals (12)	2022.41	−0.8	7.45	3.88	17.23	1.39	2039.27	2040.85	2051.41	1857.73
5	Electronics (38)	1981.63	−0.8	7.51	2.25	17.60	6.13	1997.47	2013.38	1993.77	1706.86
6	Mechanical Engineering (61)	480.50	−0.5	8.37	3.49	15.25	0.76	483.02	482.13	476.12	383.79
8	Metals and Metal Forming (7)	449.32	+0.1	8.06	3.32	15.06	0.00	448.96	444.12	443.06	294.50
9	Motors (15)	330.30	−1.3	8.35	3.21	13.80	0.00	334.61	336.37	337.55	269.73
10	Other Industrial Materials (20)	1470.66	−0.3	6.07	3.72	19.69	2.64	1474.73	1469.12	1463.87	1235.36
21	CONSUMER GROUP (186)	1183.11	+0.2	6.18	2.69	20.82	2.33	1181.23	1182.16	1173.75	857.76
22	Brewers and Distillers (22)	1093.59	−0.6	7.82	3.17	16.09	3.56	1100.69	1096.57	1088.77	859.78
25	Food Manufacturing (25)	889.53	−0.7	7.53	3.23	17.45	1.30	895.45	899.02	887.47	626.97
26	Food Retailing (16)	2124.20	−1.0	5.94	2.61	23.38	9.65	2145.63	2161.70	2150.73	1866.29
27	Health and Household Products (10)	2379.35	+2.0	3.99	1.60	29.04	0.28	2333.45	2351.40	2371.44	1458.95
29	Leisure (31)	1197.21	−0.3	6.32	3.47	20.85	8.19	1200.86	1195.64	1185.01	870.63
31	Packaging & Paper (14)	607.14	+0.9	5.82	2.76	22.30	0.38	601.53	604.79	600.83	426.43
32	Publishing & Printing (14)	3506.38	−0.3	5.79	3.25	22.21	3.41	3516.06	3553.50	3555.48	2169.97
34	Stores (37)	1016.15	+0.4	6.30	2.67	21.55	1.25	1012.54	1003.26	979.93	803.37
35	Textiles (17)	676.53	−0.6	7.72	3.00	14.92	0.17	680.59	678.38	681.13	478.96
40	OTHER GROUPS (88)	978.89	—	8.06	3.44	15.38	1.67	978.99	981.13	975.62	817.34
41	Agencies (17)	1373.09	+0.5	4.58	1.80	29.55	3.33	1366.59	1353.28	1348.88	0.0
42	Chemicals (21)	1259.97	−0.8	7.83	3.48	15.59	2.85	1269.53	1281.78	1283.80	920.59
43	Conglomerates (13)	1303.34	+1.9	6.72	3.35	17.61	2.00	1278.99	1269.39	1262.51	0.0
45	Shipping and Transport (11)	1958.82	—	6.85	4.06	17.68	0.08	1958.83	1939.69	1930.50	1585.43
47	Telephone Networks (2)	977.67	−0.6	9.56	3.94	14.25	1.09	983.48	990.35	974.20	984.46
48	Miscellaneous (24)	1325.86	−0.1	9.15	3.17	12.32	3.23	1327.43	1333.44	1334.14	979.81
49	INDUSTRIAL GROUP (482)	1056.92	—	6.99	3.00	18.11	1.92	1057.33	1058.10	1051.56	812.29
51	Oil & Gas (18)	1712.03	+1.6	9.91	5.32	12.76	19.18	1685.63	1647.43	1615.95	1104.30
59	500 SHARE INDEX (500)	1111.83	+0.2	7.39	3.31	17.14	3.43	1109.88	1107.22	1098.50	838.97
61	FINANCIAL GROUP (117)	680.32	−1.1	—	4.26	—	0.57	687.57	686.61	685.79	571.59
62	Banks (8)	737.87	−0.3	17.93	5.18	7.66	0.69	739.77	724.72	721.29	576.74
65	Insurance (Life) (9)	968.58	−2.4	—	4.01	—	0.00	992.46	996.76	996.00	868.75
66	Insurance (Composite) (7)	534.94	−3.9	—	4.44	—	0.00	556.79	570.73	571.05	464.17
67	Insurance (Brokers) (9)	1203.10	+1.6	8.01	4.40	16.24	1.58	1184.18	1196.85	1205.08	1244.71
68	Merchant Banks (11)	378.22	−0.9	—	3.04	—	0.02	381.59	382.23	383.16	336.35
69	Property (47)	873.11	−0.1	5.50	3.38	23.68	0.75	873.77	873.78	874.91	725.73
70	Other Financial (26)	435.43	+0.1	7.40	3.51	17.29	1.47	435.01	433.33	431.33	327.44
71	Investment Trusts (96)	973.53	+0.2	—	2.40	—	2.12	971.76	967.66	965.67	701.29
81	Mining Finance (2)	386.58	+0.9	7.92	4.25	14.84	0.00	383.31	371.49	374.56	279.63
91	Overseas Traders (12)	894.74	+0.3	9.17	5.02	13.21	10.04	891.69	892.35	893.08	653.13
99	ALL-SHARE INDEX (727)	995.25	—	—	3.44	—	2.73	995.21	992.61	986.25	761.12

	Index No.	Day's Change	Day's High	Day's Low	March 4	March 3	March 2	Feb 27	Feb 26	Year ago
FT-SE 100 SHARE INDEX ‡	2002.8	+0.1	2013.5	1999.7	2002.7	1998.3	1983.1	1979.2	1980.2	1566.1

FIXED INTEREST

	PRICE INDICES	Thurs March 5	Day's change %	Wed March 4	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	123.28	+0.22	123.01	—	1.74
2	5-15 years	141.63	+0.55	140.86	—	2.55
3	Over 15 years	149.57	+0.39	149.22	0.25	2.60
4	Irredeemables	164.57	+0.65	163.52	—	1.62
5	All stocks	137.96	+0.42	137.42	0.04	2.30
	Index-Linked					
6	5 years	119.04	+0.06	118.98	—	0.83
7	Over 5 years	120.94	+0.31	120.56	—	0.68
8	All stocks	120.63	+0.28	120.30	—	0.70
9	Debentures & Loans	122.98	+0.96	121.81	—	1.01
10	Preference	84.61	+0.85	83.90	—	0.54

	AVERAGE GROSS REDEMPTION YIELDS		Thurs March 5	Wed March 4	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	8.33	8.47	9.27
2		15 years	9.17	9.23	9.55
3		25 years	9.18	9.24	9.55
4	Medium Coupons	5 years	9.37	9.45	10.44
5		15 years	9.36	9.44	9.91
6		25 years	9.36	9.44	9.67
7	High Coupons	5 years	9.46	9.55	10.55
8		15 years	9.52	9.59	10.07
9		25 years	9.35	9.39	9.70
10	Irredeemables†		9.13	9.19	9.46
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.53	2.55	4.72
12	Inflat'n rate 5%	Over 5 yrs	3.39	3.40	3.80
13	Inflat'n rate 10%	5 yrs	0.89	0.91	3.68
14	Inflat'n rate 10%	Over 5 yrs	3.23	3.25	3.65
15	Debs & Loans	5 years	10.13	10.33	11.07
16		15 years	10.29	10.43	10.88
17		25 years	10.32	10.44	10.68
18	Preference†		11.10	11.20	11.82

‡ Opening index 2013.2; 10 am 2000.3; 11 am 2002.6; Noon 2003.3; 1 pm 2003.2; 2 pm 2007.1; 3 pm 2010.8; 3.30 pm 2007.1; 4 pm 2004.4

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

LONDON RECENT ISSUES

EQUITIES

1986/87 High	1986/87 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
87	65	‡Avesco (Reg) 1p	86	.....	L0.5	6.6	0.8	22.0
310	272	Barbour Index	308	+3	R4.0	3.1	1.8	25.1
63	37	‡Border TV	53½xd	−1½	†g2.5	3.2	6.6	13.4
119½	104	British Airways	112	+1	R6.0	2.4	4.9	9.7
131	127	Capital Radio 10p	131	+2	W5.0	1.8	5.4	14.1
133	123	Dale Group 10p	130	.....	R4.5	2.6	4.8	11.3
136	134	‡Forward Group 5p	135	+1	U2.2	3.2	2.3	17.9
90	80	‡Hewetson 10p	84	−2	R2.7	2.1	4.5	15.1
350	315	Hobsons Publishing 5p	350	+5	U6.25	2.2	2.5	25.9
121	88	‡Hornby Group 5p	106	+4	R3.195	2.8	4.2	12.0
130	120	‡Image Storage $0.01	125	.....	—	—	—	—
146	135	‡JSB Electrical 20p	135	.....	L2.9	2.8	3.0	16.4
184	144½	MIL Research 5p	183	+2	R3.0	3.4	2.3	17.7
121	104	‡Mayborn Group 5p	116	.....	R3.2	3.0	3.9	12.1
78	75	Mezzanine Tst. Inc.	77	.....	±10.4	—	9.7	—

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | NETHERLANDS | GERMANY | ITALY | FRANCE | NORWAY | SPAIN | SWEDEN | SWITZERLAND | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | JAPAN | JAPAN (continued) | SINGAPORE | SOUTH AFRICA

CANADA

TORONTO

Closing prices March 5

MONTREAL

Closing prices March 5

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

TORONTO

NYSE-Consolidated 1500 Actives

TOKYO – Most Active Stocks
Thursday, March 5, 1987

WORLD MS. Capital Intl. (1/1/70)	—	416.7	414.1	412.8	414.1 (5/3/87)	249.8 (23/1/86)

** Saturday February 28: Japan Nikkei 20,766.7. TSE 1,783.17.
Base value of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors 10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financial and 20 Transports. c Closed. u Unavailable.

LONDON – Most Active Stocks
Thursday, March 5, 1987

	Stocks Traded	Closing Price	Change on Day
Hanson Tr	35.90m	173½	+ 5½
Brit Gas	18.80m	88½	− 1
Brit Airways	17.80m	112	unch
Shell Trans	15.80m	£11⁷⁄₁₆	+ ¹⁄₃₂
Wellcome	14.80m	492	+69
Comm Union	11.90m	319	−10½
BP	10.80m	811	+ 1
Racal	9.55m	235	−18
Jaguar	7.76m	586	−15
Brit Telecom	7.80m	252	− 1

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 48

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:		
Argyle Trust	124	+ 9
Burton	304	+12
CH Inds.	144	+13
Corah	79½	+ 7½
DRG	425	+30
Fed. Housing	207	+11
Ford (Mart)	76	+ 9
Hall Eng.	288	+18
Kleinw Dev. Fund	173	+11
Kode Intl.	375	+32
Macro	291	+16
Moorgate Gr	158	+20
M O'Ferrall	175	+12
Morland	312	+56
Pantherella	151	+10
Radius	140	+19
Sedgwick	330	+13
TI	673	+20
Tayl Woodrow	383	+13
Wellcome	492	+69

FALLS:		
Comm. Union	319	−10½
Cowie (T.)	403	−15
General Acc	959	−53½
Jaguar	596	−15
Ladbroke	431	−11
Mercury Intl.	373	−12
Pilkington	766	−19
Rotork	166	−10

Yesterday's table incorrectly stated that the share price of Nichols (J.N.) (Vimto) fell by 16½p on Wednesday. In fact it rose by 16½p to 255p.

North American quarterly results

AM INTERNATIONAL | DATAPOINT | NWA | ALBERTSON'S | DILLARD DEPARTMENT STORES | OVERSEAS SHIPHOLDING GROUP | CASTLE & COOKE | F. W. WOOLWORTH | SOUTHLAND | COLECO INDUSTRIES | GOTAAS-LARSEN | STONE CONTAINER

Indian share prices drop after budget

By R. C. Murthy in Bombay

SHARE VALUES on India's stock markets have turned lower after last week's Government budget. Contrary to market expectations, the budget did not include any reduction in personal and corporate taxes or incentives for the capital market.

The All-India share price index of the Economic Times, India's main business newspaper, fell more than 15 points from the pre-budget level of 264.4.

Sentiment was affected mainly by the budget proposal to levy a minimum 30 per cent tax on corporate profits after depreciation and other provisions. At present, some companies plan their investments in such a way as to claim exemption from tax.

Many of these tax-avoiding groups are blue chip stocks and tax is seen as hampering their growth.

Mr Gandhi also proposed a compulsory deduction of 5 per cent from payments made for all goods and services above a certain minimum to be adjusted against tax at the end of the year. The corporate sector feels the stipulation would hurt its cash flow.

Mr N. A. Palkhivala, an influential tax expert, argues that the budget will not achieve the objective of growth, and that the two tax proposals are constitutionally illegal. The Indian Parliament is expected to debate them in the next few weeks.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33	19 1/8	AAR s	.60	1.5	29	218	32 5/8	31 7/8	32 3/8	+ 5/8
34	21 7/8	ADT	.92	2.8	19	767	33 3/8	32 1/4	32 7/8	+ 3/4
38 1/2	20 3/4	AFG s	.12e	.3	11	455	u38 3/4	37 3/8	38 3/8	+ 7/8
37 3/4	16 3/4	AGS			29	1349	u38 1/4	38	39	+ 1 1/4
15	6 3/4	AMCA				6	8 7/8	8 3/4	8 7/8	+ 1/8
9	4 7/8	AM Intl				7040u	9 3/8	8 3/4	9 1/4	+ 5/8
62 1/8	47 1/4	AMR			13	6917	59 1/4	58 3/4	59	+ 1/2
27 1/2	24 1/2	ANR pf	2.67	10.		3	26	26	26	+ 1/8
13 1/8	8	ARX s			14	223	11 5/8	11 1/8	11 1/2	+ 3/8
46 7/8	28 3/4	ASA	2a	4.2		2771	u49	47 3/8	47 5/8	+ 1
17 5/8	9 3/4	AVX		1.9		1568	16 5/8	16 1/8	16 3/8	+ 3/8
32 3/4	26 1/2	AZP	2.72	8.5	11	1280	32 1/8	31 3/4	32	+ 1/4
62 5/8	35 1/8	AbtLb s	.84	1.3	27	4246	u63 3/8	62 1/4	62 7/8	+ 7/8
34	25	AccoWd	.62	1.9	21	37	32 7/8	32 1/2	32 7/8	+ 1/2
14 1/8	9	AcmeC	.40	3.0	24	299	13 3/4	13 1/8	13 1/8	− 1/8
9 1/8	6 1/8	AcmeE	.32b	4.7	23	512	7 1/8	6 3/4	6 3/4	− 3/8
23 7/8	18 1/4	AdaEx	3.42e	16.		102	22	21 7/8	22	+ 1/8
18 1/2	11 3/8	AdmM s	.24	1.3	15	164	u19 1/4	18 3/4	18 3/4	+ 1/4
20 7/8	12 1/8	AdvSys	.62t	3.1	16	51	19 7/8	19 5/8	19 3/4	+ 1/8
32 3/4	12 7/8	AMD				7772	21 3/4	21	21 1/8	− 1/8
10 3/8	5 1/4	Adobe				68	9	8 3/4	8 7/8	
20	13 3/4	Adob pf	1.84	9.3		5	19 7/8	19 7/8	19 7/8	
21 7/8	16 5/8	Adob pf	2.40	11.		109	21 1/2	21 1/4	21 1/2	+ 1/4
18 5/8	11 1/2	Advest	.12a	1.0	10	322	12 7/8	12 1/4	12 1/4	− 5/8
68 1/4	53	AetnLf	2.76	4.1	11	4945	67 7/8	67 3/8	67 1/2	− 1/4
54 3/8	51 1/8	AetL pf	2.81e	5.3		1897	53	52 3/4	52 7/8	+ 3/8
48	21 7/8	AfilPb s	.32	.7	25	900	47	45 3/4	45 3/4	+ 1
28 3/4	18 7/8	Ahmnss	.88	3.4	8	5412	26 3/4	25 5/8	25 1/8	− 1/2
5 3/4	2 7/8	Aileen				18	3 7/8	3 3/4	3 7/8	+ 1/8
48 1/2	29 1/8	AirPrd s	.80	1.8	374	1223	44 7/8	44 1/4	44 7/8	+ 3/8
35 1/4	16	AirbFrt	.60	1.9	14	224	32 1/2	31 7/8	31 7/8	− 1/4
11 5/8	7 5/8	Airgas n				64	11	10 7/8	11	+ 1/8
20 3/8	17 1/8	Airlse n	.48e	2.5		14	19 3/8	19 1/4	19 3/8	+ 3/8
17-32	1/4	AlMoan				59	13-32	3/8	13-32	+ 1-32
10 3/4	8 7/8	AlaP dp	1.87	8.4		131	10 1/2	10 3/8	10 3/8	− 1/4
108	97	AlaP pf	9.44	8.9		z4300	106 3/4	106 1/4	106 1/4	+ 1
104	88	AlaP pf	8.16	8.0		z3000	101 5/8	101 5/8	101 5/8	+ 5/8
27 7/8	14 1/4	AlskAir	.16	.6	18	2179	26 1/2	25 1/8	25 3/4	− 7/8
25	13 1/2	Albrto s	.24	1.1	30	45	22 3/4	22	22	− 1/2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
140	88¾	Raycm	.44	.4	22	422	104¾	100⅝	103¼	+3¼
27¼	19	Rayonr	2.60	10.	11	90	24⅞	24¼	24⅞	+½
13⅞	4½	Raytch				56	10⅛	9¾	10	
79½	57	Raythn	1.80	2.3	15	2127	78¾	77¾	78	
3¼	1¼	ReadBt				335	2⅞	2⅝	2¾	
11⅞	4¾	RdBat pf				8	7¾	7½	7¾	−⅛
11½	3	RdBt pfA				6	6¼	6	6	−¼
18¼	14¾	RitRef	1.52	9.4	9	6	16⅛	15⅞	16⅛	+¼
21¾	10¼	RecnEq			21	1152	u22	21⅝	21¾	+⅛
12⅝	8⅞	Redmn	.32	3.7	13	148	8¾	8⅝	8¾	−⅛
38¼	10¼	Rebok s	.10	.3	14	3414	37	36	36½	+⅝
15⅛	9	Reece			47	5	10¼	10¼	10¼	
1	5-16	Regal				181	11-16	11-16	11-16	
9⅞	6⅞	RegIFnn				303	8⅛	8	8¼	−⅛
42	28⅝	ReichC	.80	2.0	19	195	40⅝	40½	40⅝	+⅛
11⅞	7½	RelGp	n.08e	.8	9	238	10	9¾	9⅞	+⅛
14¾	7⅝	RepGyp	.36	3.6	13	838	10	9⅝	10	+¼
57¾	37¾	RepNY	1.16	2.1	11	194	55¾	55½	55⅝	−¼
32	17½	RepBk	1	4.3	14	806	23	21⅞	23	+1⅛
29	25	RepBk pf2.12		7.7		16	28⅛	28	28	−⅛
100	64	RepBk adj8.01e		8.6		1	70	70	70	
32⅞	26	RshCot	.32	1.1	18	195	30¼	29⅝	29⅝	−⅝
19¼	10¼	Revlon				4655	15⅛	14¾	14¾	+¼
45⅝	29⅝	Rexhm	.80	1.8	17	15	43⅞	43⅝	43⅞	
26¼	14⅛	Rexnrd	.44	1.7		x43	26	25¾	26	
55⅝	38½	ReyMt	1	1.8	13	833	55⅛	54¾	55	+1⅛
115	82	ReyM pf4.50		3.9		1	u115⅛	115⅛	115⅛	+⅝
37⅞	28¾	ReyM pf2.30		6.4		2089	36	35⅝	36	+¼
32	18¾	Rhodes	.36	1.6	15	30	23	22¾	22⅞	−⅛
39½	28¾	RiteAid	.66	1.7	21	819	38⅛	37½	38	+⅝
4⅛	¼	RvrOak				102	1⅛	1	1	
21¾	10⅞	Robtsn	1.20j			318	16¼	15⅝	16⅛	+¼
25⅛	7½	vjRobins			6	1819	20⅛	19¼	20	+⅞
29⅞	21¼	RochG	2.20	8.9	7	662	25¼	24½	24¾	−⅜
52	36⅝	RochTl	2.64	5.9	13	61	45	44¾	45	+½
22⅝	17⅞	RckCtr	1.76	8.0	17	636	22¼	21⅞	22	

X Y Z

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
74½	48⅝	Xerox	3	4.2	19	3987	73⅝	71⅛	72	−1
58¾	55	Xerox pf5.45		9.9		33	55½	55¼	55¼	−¼
28¾	21½	XTRA	.64	2.3		1587	28⅝	27⅝	28⅝	+⅞
20¾	13½	Yorkin n			29	156	20⅛	19¾	20	
6	2¼	Zapata				63	3¾	3½	3½	−⅛
43⅞	20¾	Zayre s	.32	1.0	21	8064	30¾	29⅝	30½	+1
17	9¾	Zemex	.40	3.2	8	43	12½	12⅜	12½	+¼
29⅞	18⅞	ZenithE				1789	23¾	23¼	23⅝	+¼
18¼	8	ZenLb s			71	2015	11⅞	10¾	11⅞	+⅜
22⅝	12⅝	Zero	.36	1.9	20	119	19	18½	19	+¾
50⅞	32¾	Zurnln	1.32	2.7	19	304	50⅛	49¼	49⅜	−⅝
10⅝	8¾	Zweig n.10e		1.0		1346	9⅝	9½	9⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 47

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Rally continues at slightly slacker pace

WALL STREET

RENEWED enthusiasm for equities carried through into a second session on Wall Street yesterday, pushing up prices to record levels, *writes Roderick Oram in New York.*

Credit markets continued to drift, however, with bond prices giving up a little ground in quiet trading.

The Dow Jones industrial average closed up 18.98 points at a record 2,276.43. Broader market indices also set new records as Standard & Poor's 500 rose 1.90 to 290.52 and the New York and American stock exchange composite indices added 1.00 to 165.41 and 3.17 to 329.47 respectively.

NYSE volume pushed through the 200m level for the first time in 11 sessions to hit 205.4m with advancing issues outnumbering those declining by a ratio of nine to seven.

Among blue chips, American Express added $⅝ to $77⅛, AT&T rose $⅛ to $23⅜, General Electric gained $2⅝ to $108⅛, Du Pont rose $1⅞ to $102⅜, Minnesota Mining and Manufacturing advanced $⅜ to $127½ and Procter and Gamble was ahead $3½ to $90⅞.

General Motors, which had triggered Wednesday's rally by announcing a $5bn buyback of 20 per cent of its shares, lost $1½ to $78 after rising $3⅜ in the previous session. In contrast, Ford Motor added $½ to $79⅜ and Chrysler gained $2 to $52⅞ after declaring a three-for-two stock split and an increase in quarterly dividend to 37.5 cents a share from 35 cents.

USAir slipped $⅝ to $48¼ after rejecting a $52 a share takeover offer from TWA which *fell $⅝ to $31.* Analysts were speculating that Mr Carl Icahn, who controls TWA, had made the bid hoping it would prompt a counter offer for TWA so he could realise his investment in it.

Meanwhile, USAir received regulatory approval for its purchase of Pacific Southwest Airlines while Piedmont, down $⅞ to $68¼, decide to take no action yet on takeover offers from USAir and Norfolk Southern, a railroad holding company.

Confusion also surrounded the proposed merger between Hughes Tool and Baker International. The board of Hughes, added $¼ to $11¼, adjourned a meeting without deciding whether to call off the merger with Baker, up $⅜ to $15⅞. Baker, a competing oilfield services company, had already rejected takeover proposals modified to meet anti-trust complaints. Earlier reports said Hughes had pulled out of the merger.

Several leading semiconductor makers rose yesterday on news that the industry had formed a research consortium in an attempt to improve its technologcial competitiveness.

Motorola jumped $2⅞ to $51¼ and Advanced Micro Devices added $⅝ to $21¼ while Intel was unchanged at $36½ in the over-the-counter market and National Semiconductor slipped $⅛ to $15⅝.

Digital Equipment continued its fast rise adding $4½ to $170⅞. Salomon Brothers' computer industry analyst reaffirmed his buy recommendation saying the shares would top $180 soon. IBM gained $⅝ to $140⅞.

Strong February sales helped some department store stocks. Dayton Hudson (sales up 19.5 per cent) rose $1 to $45 and K mart (up 13.1 per cent) added $2⅛ to $60 although Wal-Mart (up 44 per cent) dipped $⅛ to $58⅛.

American International Group added $1⅞ to $77⅞. The leading insurance company reported fourth-quarter net profits of $1.24 a share against 70 cents a year earlier.

Among others in the industry, Aetna fell $⅛ to $67½, Fireman's Fund added $¼ to $40½ while *Chubb fell $⅞ to $72⅛.*

Credit markets remained quiet with investors and traders waiting for today's release of the February employment figures to give them further evidence of the economy's performance last month.

A gain in the number employed of about 200,000 would indicate reasonably brisk growth which would be bearish for bond prices while a rise of 100,000 would imply slow growth which would be bullish.

Meanwhile the price of the 7.50 per cent benchmark Treasury bond slipped ⁵⁄₃₂ of a point yesterday afternoon to 100²¹⁄₃₂ yielding 7.44 per cent. Shorter maturities were fractionally lower on the day.

A number of negative factors are keeping trading volume on the light side. These include the uncertainty over whether the economy is as weak as it appears, the firmness of oil prices and the lack of confidence that the dollar's value will hold at present levels or will fall further.

Moreover, buying by retail investors remains scarce because of all these factors and the greater attractions stock markets continue to hold for them.

CANADA

THE UPSURGE continued in busy trading in Toronto, with share prices moving to new heights on Wall Street's advance and the continuing strength of the resources sector.

Higher golds, buoyed by rising world bullion prices, saw Placer up C$1⅛ to C$41⅜, Dome Mines C$⅝ ahead at C$15⅝ and Hemlo Gold C$⅝ firmer at C$24⅞.

Resources stocks led actives with Nova Alberta rising C$⅛ to C$8⅞ and Alcan adding C$⅞ to C$51¼. Dome Petroleum was also active, putting on 2 cents to C$1.18.

Against the trend, Canadian Imperial Bank of Commerce eased C$⅛ to C$21⅞ despite a slight rise in first quarter earnings.

Most sectors in Montreal were firmer.

Alan Friedman profiles a Sicilian property developer's entry to the bourse

Ligresti debut brings sparkle to Milan

THE CEREMONIES held for the trading debut of newly-quoted shares on the Milan bourse normally take place on the first floor of the Palazzo which houses the exchange. They are nice little spumante-filled celebrations, rather cosy get-togethers of stockbrokers, bankers, journalists and, of course, the company chairman.

This week, however, saw the most folkloric stock market debut to date, with the backwoods banter of Mr Salvatore Ligresti, a Sicilian-*born property developer who is* chairman and majority shareholder of Grassetto, which on Monday became the 190th company to gain a listing in Milan.

Grassetto, a construction company based in Padua, which last year doubled net profit to L12.5bn ($9.6m) on L260bn of revenues, got off to a good start on the bourse. Mr Ligresti floated 28.2 per cent of Grassetto equity (3.8 shares priced at L15,000 each) to raise L57bn ($43.8m). As of last night the shares were trading at L17,499, or nearly 17 per cent above the issue price.

Mr Ligresti, who smiles a great deal and for some reason always looks slightly embarrassed, told the little gathering at the bourse this week that he "enjoyed the experience of a debut" so much that he thought he might like to try it again by quoting another of his companies.

"My mother had a taste for business," he explained, referring to his parents' textile shop in Paterno, a village near the base of Mount Etna, "So I guess that is where I get it from."

A stocky man of 55, he is one of the newer faces to appear in the hurlyburly world of Italian finance. He has emerged very quickly, buying key minority equity stakes in companies such as Pirelli, Agricola (the main quoted arm of the Ferruzzi group), CIR (one of Carlo De Benedetti's key holding companies), Italcementi (the Pesenti family cement maker) and Montedison.

Mr Ligresti's biggest deal was to acquire effective control of Societa Assicuratrice Italiana (SAI), a major insurance group through which he holds some of his investments. Indeed, when SAI's L1,300bn premium income is added to Grassetto's turnover and other interests, the Ligresti empire has total (unconsolidated) turnover of about L2,000bn.

Mr Salvatore Ligresti

Not everyone, however, is enthusiastic about having Mr Ligresti as a shareholder.

The rapid rise of this builder of carparks, cinemas, office and residential blocks has raised plenty of eyebrows in Italian finance. At least one famous company chairman became nearly apoplectic when asked about the share stake in his concern which had been *bought by the jovial property developer from Sicily.*

This week Mr Ligresti carried on along his merry way, quoting Grassetto on Monday, avoiding prosecution, in a local Milanese city construction imbroglio by paying a fine on Tuesday and yesterday acquiring a major shareholding in the company which manages 100km of motorway between Turin and Milan.

The new issue went well, with Mr Ligresti telling the bourse how as a student in Padua he used to walk past the Grassetto company, hoping *he might someday work there.* "Now," said the latest arrival on the stock market, "I own it."

EUROPE

Brussels and Paris at peaks

RISING *confidence* on European bourses yesterday reflected the dollar's new-found firmness and the record performances by Tokyo, London and New York.

Brussels rose sharply to a new peak as the bullish tone persisted well into a second week. Foreign buyers were much in evidence, encouraged by good company results and the rally on Wall Street, while the new share-linked pension savings scheme continued to attract domestic investors.

The Brussels stock exchange index climbed a further 47.37 to a record 4,279.01. It has risen 90.27 points, or over 2 per cent, so far this week.

In brisk trading, holding companies performed well, with Reserve up BFr 40 to BFr 3,490, GBL BFr 55 higher at BFr 3,550 and Sofina BFr 500 ahead at BFr 13,800.

Metals were one of the few weak sectors, with Hoboken back down BFr 200 to BFr 6,700 and Cockerill Sambre easing BFr 2 to BFr 137.

Paris, too, found strong foreign demand, particularly from the Japanese, and reached its fifth consecutive record high despite late profit-taking.

LONDON

THE FRESH gain in sterling dampened London export stocks and produced a mixed session that took the FT-SE 100 to a marginally higher peak of 2,002.8 with a rise of 0.1 after an early gain of 10 points. The FT Ordinary index, however, dropped 10.4 to 1,602.0. Gilts advanced with mediums showing gains of ⅜ of a point. Early rises of a ½ point among longs were trimmed to a net ¼ point. The sector remained optimistic on the growing hopes of a cut in interest rates. Page 46

Optimism about the dollar and Wall Street's strength was a further positive factor in a liquid market excited by growing signs of an imminent cut in the Bank of France intervention rate.

The CAC General index added 2.6 to 444.7 for a rise this week of 15.6, or 3.5 per cent, while the Indicateur de Tendance edged 0.6 ahead to 112.9.

Electronics, food and oil issues were particularly strong.

The Government has decided to abolish a rule requiring EEC companies to seek approval from the Economics Ministry before being listed on the bourse. In addition, companies with less than 25 per cent of their capital in public hands may now obtain listings provided the public holds at least 500,000 of their shares.

The Paris bourse plans to start trading in negotiable stock options, initially on shares in six French companies, from about mid-June.

Frankfurt continued to gather strength as investors took encouragement from the dollar's recovery. The Commerzbank index rose 12.3 to 1,750.4. As the recent selling eased off, however, there was still wariness about the effects of next Monday's planned strikes by the IG Metall union.

Degussa soared DM 30 to DM 483 on market rumours that its pharmaceutical division was closer to developing a treatment for Aids.

Hochtief shares were suspended at DM 901 in advance of Deutsche Bank's announcement that it will place 25 per cent of the nominal share capital.

Bonds rose on Japanese buying and New York's stronger showing. The Bundesbank sold DM 44.4m of paper after buying DM 22m on Wednesday.

Amsterdam warmed to Royal Dutch's results for 1986, seeing the 16 per cent fall in profits as positive given the drop in oil prices. Royal Dutch was up Fl 3.80 at Fl 222.80 and Unilever rose Fl 8.30 to Fl 535.50 after its results on Wednesday.

Zurich picked up further ground, with buying centred on financials and industrials.

Stockholm rose in the highest turnover for four months on lower interest rates, and expectation of good company results.

Madrid was mixed to lower.

Milan met stronger buying.

SOUTH AFRICA

FURTHER SHARP gains were scored by Johannesburg gold shares as bullion prices firmed and the financial rand eased.

Randfontein advanced R14 to R387 *as Elandsrand picked up* R1.50 to R41.

Other sectors mirrored the gains among the gold stocks. Anglo American among mining financials added R1.50 to R69.50 and diamond group De Beers closed 50 cents higher at R40.

Among platinums, newly listed *Northam opened at R50, jumped to* R59 before finishing the day at R57.25.

Industrials closed mixed to firm.

ASIA

Aids speculation underpins record

TOKYO

SELECTIVE buying of Aids-related stocks lifted equities to yet another all-time high in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average gained 144.37 to 21,176.03, reaching a new peak for the fifth trading day running. Volume dwindled slightly from 1.04bn to 1.01bn shares while declines outnumbered advances by 504 to 383, with 123 issues unchanged.

Despite a call by the Ministry of Finance on Wednesday for the "Big Four" securities companies – Nomura, Daiwa, Nikko and Yamaichi – to exercise self-restraint on transactions in stock of Nippon Telegraph and Telephone (NTT) after its recent sharp gain, the market opened firmer and at one stage in the afternoon soared 229 points from the previous day's close.

Brokers said the ministry believed the current bullish market was being paced largely by NTT's strong performance. Although trading volume of NTT dropped sharply from 70,952 to 24,150, the stock surged a further Y30,000 to Y2.93m, despite having fallen Y40,000 earlier in the day.

Nippon Steel, most active with 65.28m shares traded, was weak for most of the day before turning Y9 higher to Y298 on late heavy buying by a securities house. Kobe Steel, also busy with 25.54m shares, strengthened Y10 to Y298 and Nippon Kokan increased Y3 to Y244. *Mitsubishi Heavy Industries shed* Y8 to Y560.

Among the best performers were issues related to Aids. Ajinomoto ended Y100 up at Y3,650 after soaring to Y3,840 at one stage on volume of 17.77m shares.

Nippon Suisan, fourth-busiest with 26.04m shares, strengthened Y244 to Y629, Dainippon Ink and Chemicals, sixth with 24.00m, rose Y35 to Y690 and Kowa Hakko, eighth with 18.64m shares, gained Y120 to Y2,460.

Reflecting the strong popularity of Aids-linked issues, biotechnology-related stocks also sprinted ahead, with Sanraku climbing Y70 to Y1,300, Meiji Seika Y73 to Y1,010, Green Cross Y500 to Y3,500

Bonds firmed, reflecting expectations that there is still room for prices to move up. But trading remained lethargic.

On the futures market, June contracts gained Y0.14 to a record Y160.46 on heavy volume, reaching an all-time high for the seventh day running.

Mirroring the *futures firmness,* the yield on the barometer 5.1 per cent government bond due in June 1996 fell slightly from 4.765 to 4.760 per cent. Institutions and dealers stayed on the sidelines due to the dearth of fresh market-moving factors.

AUSTRALIA

THE OVERNIGHT peaks on leading world bourses refuelled the record run in Sydney as the All Ordinaries index added a further 12.3 to a high of 1,636.6. Turnover of 139m shares was valued at A$240.9m.

Private Blood Bank continued to move against the trend with another hefty A$3.80 plunge to A$6.10 on reports that the New South *Wales Corporate Affairs Commission was investigating the company.*

Elsewhere, industrial gold and mining stocks led the advance with FAI rising 50 cents to A$10.50 on recent broker recommendations while Adsteam jumped 40 cents to A$14.30. Elders IXL picked up 6 cents to A$5.02 although resource leader BHP dipped 5 cents to A$10.40.

HONG KONG

PROFIT-TAKING swamped Hong Kong and forced the Hang Seng index 92.49 points lower – its biggest one-day fall since 1982 – to 2,798.44.

Recent foreign demand evaporated as domestic selling started in earnest in the morning and showed no signs of abating in the afternoon.

Brokers viewed yesterday's decline as less damaging in percentage terms and as a long-over due correction to the market's recent dramatic rise.

Among leading declines were Cheung Kong down HK$1.25 to KH$44.25 while Hutchison Whampoa dropped HK$2 to HK$53. Swire closed HK1.10 lower at HK$22.75.

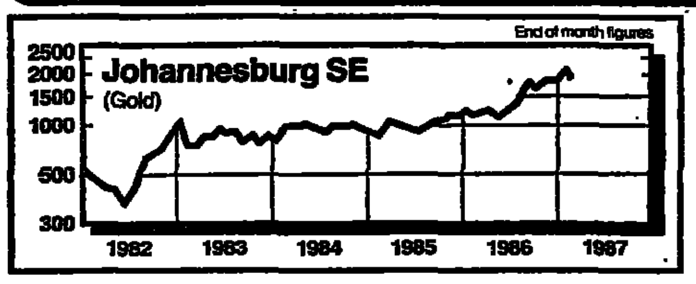
SINGAPORE

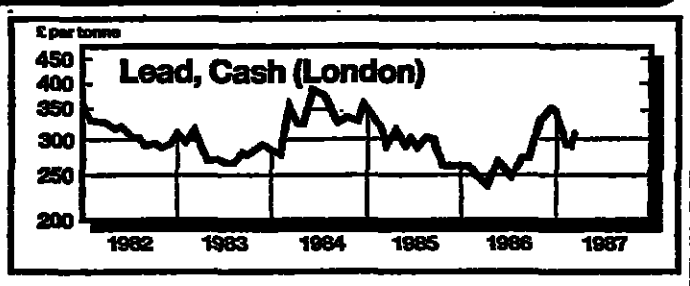
A SWITCH in demand to Malaysian issues enabled Singapore to push ahead to a record high as the Straits Times industrial index gained 6.98 to 1,073.00, exceeding the previous record of 1,071.91

Malaysia Resources, most active with 2.9m shares traded, added 2½ cents to 36 cents while Paper Products advanced 2 cents to 46½ cents on 2.5m shares. Federal Cables, also active rose 4 cents to 78 cents.

Malayan Banking scored a 10-cent gain to S$6.60

KEY MARKET MONITORS





STOCK MARKET INDICES

NEW YORK	Mar 5	Previous	Year ago
DJ Industrials	2,276.43	2,257.45	1,686.66
DJ Transport	956.64	952.88	785.57
DJ Utilities	220.12	220.00	182.45
S&P Comp.	290.52	288.62	224.34
LONDON FT			
Ord	1,602.0	1,612.4	1,299.4
SE 100	2,002.8	1,602.7	1,569.1
A All-share	995.25	995.21	761.12
A 500	1,111.83	1,109.88	838.97
Gold mines	346.7	339.5	339.8
A Long gilt	9.35	9.39	9.78
TOKYO			
Nikkei	21176.03	21031.66	13807.5
Tokyo SE	1829.61	1827.24	1101.74
AUSTRALIA			
All Ord.	1,636.6	1,624.3	1,058.4
Metals & Mins.	785.2	770.3	511.3
AUSTRIA			
Credit Aktien	–	205.69	226.58
BELGIAN SE			
	4,279.01	4,231.64	3,306.57
CANADA			
Toronto			
Met.& Mins.	2,554.8	2,524.1	2,273.0
Composite	3,619.1	3,593.5	2,889.6
Montreal			
Portfolio	1,805.63	1,794.25	1,460.74
DENMARK SE			
	–	199.78	238.36
FRANCE			
CAC Gen	444.70	442.10	309.8
Ind. Tendance	112.90	112.30	74.2
WEST GERMANY			
FAZ-Aktien	581.76	577.87	663.41
Commerzbank	1,750.40	1,738.10	2,005.2

HONG KONG Hang Seng	2,798.44	2,890.93	1,654.33
ITALY Banca Comm.	681.41	676.56	576.08
NETHERLANDS ANP CBS			
Gen	257.40	255.30	249.3
Ind	–	249.80	243.9
NORWAY Oslo SE	388.48	387.23	350.50
SINGAPORE Straits Times	1,073.00	1,066.00	622.78
SOUTH AFRICA JSE			
Golds	—	1,849.0	1,199.1
Industrials	—	1,597.0	1,139.8
SPAIN Madrid SE	244.31	—	136.39
SWEDEN J & P	2,498.50	2,470.66	1,888.40
SWITZERLAND Swiss Bank Ind	580.30	571.30	572.4
WORLD MS Cap. Int'l March 4	416.7	414.10	282.8

COMMODITIES (London)

	March 5	Prev
Silver (spot)	350.25p	349.60p
Copper (cash)	£898.00	£911.50
Coffee (May)	£1,280.00	£1,265.00
Oil (Brent)	$17.25	$17.15

GOLD ($/oz)

	March 5	Prev
London	$410.75	$406.50
Zürich	$410.25	$406.55
Paris (fixing)	$409.19	$407.67
Luxembourg	$411.00	$407.25
New York (April)	*$408.80*	*$412.20*

CURRENCIES (London)

	US DOLLAR Mar 5	Previous	STERLING Mar 5	Previous
$	–	–	1.5775	1.5650
DM	1.8315	1.8375	2.89	2.875
Yen	153.20	153.70	241.75	240.50
FFr	6.095	6.1125	9.615	9.565
SFr	1.5440	1.5460	2.435	2.4225
Fl	2.0675	2.0725	3.2625	3.2425
Lira	1,302.0	1,306.0	2,054.0	2,044.0
BFr	38.10	38.05	60.10	59.55
C$	1.3345	1.3325	2.1075	2.0860

INTEREST RATES

Euro-currencies (3-month offered rate)	Mar 5	Prev
£	10⅞	10⁷⁄₁₆
SFr	3¹⁵⁄₁₆	3⅞
DM	4⁵⁄₁₆	4⅜
FFr	8⁵⁄₁₆	8⅜
FT London Interbank fixing (offered rate)		
3-month US$	6⅝	6⁷⁄₁₆
6-month US$	6⅝	6⁷⁄₁₆
US Fed Funds	6 *	5¹⁵⁄₁₆
US 3-month CDs	5.95*	6.275
US 3-month T-bills	5.505*	5.66

FINANCIAL FUTURES

CHICAGO

	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100% Mar 5				
March	102-11	102-21	102-06	102-15
US Treasury Bills (IMM) $1m points of 100%				
March	*94.48*	*94.52*	*94.47*	94.48
Certificates of Deposit (IMM) $1m points of 100%				
March	–	–	–	93.97
LONDON				
Three-month Eurodollar $1m points of 100%				
March	93.68	93.70	93.64	93.60
20-year Notional Gilt £50,000 32nds of 100%				
March	121-15	121-21	121-07	120-23

US BONDS

Treasury

	March 4* Price	Yield	Prev Price	Yield
6⅞ 1989	99²⁷⁄₃₂	6.334	99²⁷⁄₃₂	6.334
7⅛ 1993	100⁹⁄₃₂	6.943	100⁷⁄₃₂	6.954
7¼ 1996	100¹⁵⁄₃₂	7.151	100¹⁵⁄₃₂	7.155
7¼ 2016	100¹⁵⁄₃₂	7.45	100¹⁵⁄₃₂	7.45

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	March 5 Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.66	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	March 5* Price	Yield	Prev Price	Yield
AT&T 3⅞ July 1990	uch	uch	93.58	6.05
SCBT South Central 10⅞ Jan 1993	uch	uch	105.375	9.68
Phibro Sal 8 April 1996	uch	uch	99.875	8.02
TRW 8⅞ March 1996	uch	uch	103.625	8.17
Arco 9⅞ March 2016	uch	uch	113.0	8.65
General Motors 8⅞ April 2016	uch	uch	95.0	8.60
Citicorp 9⅞ March 2016	uch	uch	101.00	9.27

Source: Salomon Brothers

* Latest available figures

هكذا من الأصل